

AMENDED IN ASSEMBLY AUGUST 22, 2006

AMENDED IN ASSEMBLY JUNE 14, 2006

**SENATE BILL**

**No. 1466**

---

**Introduced by Committee on Public Employment and Retirement  
(Senators Soto (Chair), Alarcon, Ashburn, Dunn, and  
Hollingsworth)**

February 23, 2006

---

An act to amend Sections 22007.5, 22105.5, 22115.2, 22123, 22123.5, 22134, 22134.5, 22303, 22309, 22655, 22657, 22660, 22664, 22703, 22801, 22823, 22826, 23004, 23300, 23805, 23855, 24201, 24202.5, 24203.6, 24205, 24209, 24209.3, 24211, 24214, 24221, 24300, 24300.6, 24301, 24302, 24303, 24305, 24305.3, 24305.5, 24306, 24306.7, 24307, 24309, 24402, 24703, 24704, 24705, 24976, 25009, 25011, 25012, 25015, 25016, 25018, 25021, 25024, 26000.5, 26002.5, 26113, 26116, 26137, 26214, 26301, 26400, 26401, 26807, 26811, 26906, 26910, 27004, 27405, 27408, 27410, 27411, and 44922 ~~of and~~, *of, and* to add Sections 24300.1, 24300.2, 24312.1, 25011.1, 25011.5, 25018.1, 25018.2, 26807.5, 26807.6, 26906.5, and 26906.6 to, the Education Code, and to amend Section 22009.1 of the Government Code, relating to state teachers' retirement, *and making an appropriation therefor*.

LEGISLATIVE COUNSEL'S DIGEST

SB 1466, as amended, Committee on Public Employment and Retirement. State Teachers' Retirement System: benefits.

(1) The State Teachers' Retirement Law permits a member or participant of the Defined Benefit Plan, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program, to elect from among several forms of retirement benefit and annuity payments.

That law prohibits the member, if he or she elects a joint and survivor annuity and retires, from changing his or her beneficiary unless the beneficiary is the spouse or domestic partner of the member or participant and a judgment of dissolution, legal separation, or nullity is entered. That law further permits the member or participant, after that judgment is entered, to elect a new annuity beneficiary and, if that new beneficiary predeceases the member or participant, the member or participant may further change his or her beneficiary. That law further prohibits a member of the Defined Benefit Supplement Program from further changing his or her beneficiary if the member elects a modified retirement allowance with a “pop-up” feature, as specified. *Existing law establishes the Teachers’ Deferred Compensation Fund, a continuously appropriated fund, as a repository for funds received by the Teachers’ Retirement System pursuant to administering funds received in administering specified deferred compensation plans. Existing law requires the Teachers’ Retirement Board to establish a vendor registration process for the purposes of providing information about tax-deferred retirement investment products.*

This bill would delete that restriction for the member of the Defined Benefit Supplement Program who elects a modified retirement allowance with a “pop-up” feature and permit that member, if he or she is otherwise eligible, to change his or her beneficiary.

This bill would further revise and recast those provisions of the Defined Benefit Plan, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program for a member or participant who retires on or after January 1, 2007, who elects a joint and survivor annuity, subject to specified restrictions.

This bill would prohibit a member from designating a beneficiary who is a specified number of years younger than the member.

This bill would further permit a retired member or participant to elect a new benefit, subject to specified restrictions. This bill would require a member or participant who elects a new benefit to declare under penalty of perjury that his or her beneficiary is not afflicted with a known terminal illness. By creating a new crime, this bill would impose a state-mandated local program.

*This bill would provide that premium and fee revenues and compensation deferrals from specified annuity and custodial accounts and from the vendor registration process described above, be deposited into trust accounts in the Teachers’ Deferred Compensation*

*Fund. By depositing additional fee revenues into a continuously appropriated fund, this bill would make an appropriation.*

(2) Under that law, the Cash Balance Benefit Program provides a retirement plan for persons who perform creditable service, as defined. Existing law permits a person who performs trustee service for an employer, if that employer elects to provide benefits under the Cash Balance Benefit Program, to elect to participate in that program for his or her trustee service.

This bill would additionally define creditable service under the Cash Balance Benefit Program as trustee service for an employer.

(3) That law requires an employer to report all other information required by the retirement system to provide benefits under the Cash Balance Benefit Program.

This bill would clarify that an employer shall retain a copy of and mail the original election form of an employee participating in that program to the retirement system.

(4) That law requires a county superintendent of schools or an employing agency, and permits a school district or community college district to submit a monthly report that includes information the board of the State Teachers' Retirement System requires to administer that retirement system. That law also requires an employer to report contributions paid on behalf of each participant in the Cash Balance Benefit Program.

This bill would require an employer, a county superintendent of schools, an employing agency, and a school district or community college district to submit that monthly report or contribution report electronically in an encrypted format that ensures the security of the transmitted member data. *The bill would also permit penalty to be assessed for reports that are submitted late or in an unacceptable form.*

(5) That law permits a member who has retired to reinstate from retirement and earn additional service credit. That law requires the State Teachers' Retirement System to calculate the member's benefit based on the retirement allowance the member was receiving prior to retirement and the service credit and compensation earnable by the member after he or she reinstated from retirement for purpose of calculating his or her subsequent retirement.

This bill would prohibit a member who was employed by a community college prior to July 1, 1996, who reinstates from retirement from using the compensation earnable he or she earned

prior to July 1, 1996, for purposes of calculating his or her subsequent retirement.

(6) That law requires the board of the State Teachers' Retirement System to issue an annual statement to members of the Defined Benefit Program and the Defined Benefit Supplement Program. That law requires the board of the State Teachers' Retirement System to issue a statement to each participant of the Cash Balance Benefit Program.

This bill would permit the board to issue that statement to the member or participant by secured access through the Web site of the State Teachers' Retirement System, as specified.

(7) That law permits a member of the Defined Benefit Plan to elect to purchase additional service credit, nonqualified service credit, and out-of-state service credit if specified contributions are paid to the State Teachers' Retirement System.

This bill would, if a member fails to make a payment within 120 days of the due date, require the board of the State Teachers' Retirement System to cancel the election to purchase that additional service credit, nonqualified service credit, and out-of-state service credit, as specified.

(8) The bill would also make various technical and clarifying changes to the Teachers' Retirement Law.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 22007.5 of the Education Code is  
2 amended to read:  
3 22007.5. Except as excluded by subdivision (d) of Sections  
4 22661 and 23812, subdivision (c) of Section 24300.1, and  
5 subdivision (d) of Sections 25011.1, 25018.1, and 26807.5, a  
6 person who is the registered domestic partner of a member, as  
7 established pursuant to Section 297 or 299.2 of the Family Code,

1 shall be treated in the same manner as a “spouse,” as defined in  
2 Section 22171.

3 SEC. 2. Section 22105.5 of the Education Code is amended to  
4 read:

5 22105.5. “Annuity beneficiary” means the person or persons  
6 designated by a member pursuant to Section 25011, 25011.1,  
7 25018, or 25018.1 to receive an annuity under the Defined  
8 Benefit Supplement Program upon the member’s death.

9 SEC. 3. Section 22115.2 of the Education Code is amended to  
10 read:

11 22115.2. “Concurrent membership” means membership in the  
12 Defined Benefit Program by an individual who is credited with  
13 service that is not used as a basis for benefits under any other  
14 public retirement system and is also a member of the California  
15 Public Employees’ Retirement System, the Legislators’  
16 Retirement System, the University of California Retirement  
17 System, county retirement systems established under Chapter 3  
18 (commencing with Section 31450) of Part 3 of Division 4 of Title  
19 3 of the Government Code, or the San Francisco Employees’  
20 Retirement System. A member with concurrent membership shall  
21 have the right to the following:

22 (a) Have final compensation determined pursuant to  
23 subdivision (c) of Section 22134 or subdivision (c) of Section  
24 22134.5.

25 (b) Redeposit accumulated retirement contributions pursuant  
26 to Section 23201.

27 (c) Apply for retirement pursuant to paragraph (2) of  
28 subdivision (a) of Section 24201.

29 SEC. 4. Section 22123 of the Education Code is amended to  
30 read:

31 22123. (a) “Dependent child” or “dependent children” under  
32 the disability allowance and family allowance programs means a  
33 member’s unmarried offspring or stepchild who is under 22 years  
34 of age and who is financially dependent upon the member on the  
35 effective date of the member’s disability allowance or the date of  
36 the member’s death.

37 (b) “Offspring” shall include the member’s child who is born  
38 within the 10-month period commencing on the earlier of the  
39 member’s disability allowance effective date or the date of the  
40 member’s death.

1 (c) “Offspring” shall include a child adopted by the member.

2 (d) “Dependent child” shall not include the member’s  
3 offspring or stepchild who is adopted by a person other than the  
4 member’s spouse.

5 (e) “Dependent child” under the family allowance program  
6 shall not include:

7 (1) The member’s offspring or stepchild who was financially  
8 dependent on the member on the date of the member’s death if a  
9 disability allowance was payable to the member prior to his or  
10 her death and the disability allowance did not include an amount  
11 payable for that offspring or stepchild.

12 (2) A stepchild or adopted child acquired subsequent to the  
13 death of the member.

14 (f) “Financially dependent” for purposes of this section means  
15 that at least one-half of the child’s support was being provided by  
16 the member on the member’s disability allowance effective date  
17 or the date of the member’s death. The system may require that  
18 income tax records or other data be submitted to substantiate the  
19 child’s financial dependence. In the absence of substantiating  
20 documentation, the system may determine that the child was not  
21 dependent on the effective date of the member’s disability  
22 allowance or the date of the member’s death.

23 (g) “Member” as used in this section shall have the same  
24 meaning specified in Section 23800.

25 SEC. 5. Section 22123.5 of the Education Code is amended to  
26 read:

27 22123.5. (a) “Dependent child” or “dependent children”  
28 under the disability retirement and survivor benefit allowance  
29 programs means a member’s offspring or stepchild who is under  
30 21 years of age and who is financially dependent upon the  
31 member on the effective date of the member’s disability  
32 retirement or the date of the member’s death.

33 (b) “Offspring” shall include the member’s child who is born  
34 within the 10-month period commencing on the earlier of the  
35 member’s disability retirement effective date or the date of the  
36 member’s death.

37 (c) “Offspring” shall include a child adopted by the member.

38 (d) “Dependent child” shall not include the member’s  
39 offspring or stepchild who is adopted by a person other than the  
40 member’s spouse.

1 (e) “Dependent child” under the survivor benefit allowance  
2 program shall not include a stepchild or adopted child acquired  
3 subsequent to the death of the member.

4 (f) “Financially dependent” for purposes of this section means  
5 that at least one-half of the child’s support was being provided by  
6 the member on the member’s disability retirement effective date  
7 or the date of the member’s death. The system may require that  
8 income tax records or other data be submitted to substantiate the  
9 child’s financial dependence. In the absence of substantiating  
10 documentation, the system may determine that the child was not  
11 dependent on the effective date of the member’s disability  
12 retirement or the date of the member’s death.

13 (g) “Member” as used in this section shall have the same  
14 meaning specified in Section 23850.

15 SEC. 6. Section 22134 of the Education Code is amended to  
16 read:

17 22134. (a) “Final compensation” means the highest average  
18 annual compensation earnable by a member during any period of  
19 three consecutive school years while an active member of the  
20 Defined Benefit Program or time during which he or she was not  
21 a member but for which the member has received credit under  
22 the Defined Benefit Program, except time that was so credited for  
23 service performed outside this state prior to July 1, 1944.

24 (b) For purposes of this section, periods of service separated  
25 by breaks in service may be aggregated to constitute a period of  
26 three consecutive years, if the periods of service are consecutive  
27 except for the breaks.

28 (c) The determination of final compensation of a member who  
29 has concurrent membership in any other retirement system  
30 pursuant to Section 22115.2 shall take into consideration the  
31 compensation earnable while a member of any other system,  
32 provided that both of the following exist:

33 (1) Service under any other system was not performed during  
34 the same pay period with service under the Defined Benefit  
35 Program.

36 (2) Retirement under the Defined Benefit Program is  
37 concurrent with the member’s retirement under any other system.

38 (d) The compensation earnable for the first position in which  
39 California service was credited shall be used when additional  
40 compensation earnable is required to accumulate three

1 consecutive years for the purpose of determining final  
2 compensation under Section 23805.

3 (e) If a member has received service credit for part-time  
4 service performed prior to July 1, 1956, the member's final  
5 compensation shall be adjusted for that service in excess of one  
6 year by the ratio that part-time service bears to full-time service.

7 (f) The board may specify a different final compensation with  
8 respect to disability allowances, disability retirement allowances,  
9 family allowances, and children's portions of survivor benefit  
10 allowances payable on and after January 1, 1978. The  
11 compensation earnable for periods of part-time service shall be  
12 adjusted by the ratio that part-time service bears to full-time  
13 service.

14 (g) The amendment of former Section 22127 made by Chapter  
15 782 of the Statutes of 1982 does not constitute a change in, but is  
16 declaratory of, the existing law.

17 SEC. 7. Section 22134.5 of the Education Code is amended to  
18 read:

19 22134.5. (a) Notwithstanding Section 22134, "final  
20 compensation" means the highest average annual compensation  
21 earnable by a member during any period of 12 consecutive  
22 months while an active member of the Defined Benefit Program  
23 or time during which he or she was not a member but for which  
24 the member has received credit under the Defined Benefit  
25 Program, except time that was so credited for service performed  
26 outside this state prior to July 1, 1944.

27 (b) For purposes of this section, periods of service separated  
28 by breaks in service may be aggregated to constitute a period of  
29 12 consecutive months, if the periods of service are consecutive  
30 except for the breaks.

31 (c) The determination of final compensation of a member who  
32 has concurrent membership in any other retirement system  
33 pursuant to Section 22115.2 shall take into consideration the  
34 compensation earnable while a member of any other system,  
35 provided that ~~all~~ *both* of the following exist:

36 (1) Service under any other system was not performed during  
37 the same pay period with service under the Defined Benefit  
38 Program.

39 (2) Retirement under the Defined Benefit Program is  
40 concurrent with the member's retirement under any other system.



1 (d) If a member has received service credit for part-time  
2 service performed prior to July 1, 1956, the member's final  
3 compensation shall be adjusted for that service in excess of one  
4 year by the ratio that part-time service bears to full-time service.

5 (e) The board may specify a different final compensation with  
6 respect to disability allowances, disability retirement allowances,  
7 family allowances, and children's portions of survivor benefit  
8 allowances payable on and after January 1, 1978. The  
9 compensation earnable for periods of part-time service shall be  
10 adjusted by the ratio that part-time service bears to full-time  
11 service.

12 (f) This section shall apply to the following:

13 (1) A member who has 25 or more years of credited service,  
14 excluding service credited pursuant to the following:

15 (A) Section 22714.

16 (B) Section 22714.5.

17 (C) Section 22715.

18 (D) Section 22717, except as provided in subdivision (b) of  
19 Section 22121.

20 (E) Section 22826.

21 (2) A nonmember spouse, if the member had 25 or more years  
22 of credited service, as calculated in paragraph (1), on the date the  
23 parties separated, as established in the judgment or court order  
24 pursuant to Section 22652.

25 *SEC. 7.5. Section 22303 of the Education Code is amended to*  
26 *read:*

27 22303. (a) Due to an increase in the demand for retirement  
28 counseling services, the system, notwithstanding any other  
29 provision of law, may contract with a county superintendent or  
30 other employer to provide retirement counseling. Retired public  
31 employees may be employed on a part-time basis for that  
32 purpose, unless and until the study required by subdivision (b) of  
33 Section 7 of Chapter 1532 of the Statutes of 1985 recommends  
34 against the employment of retired public employees for these  
35 purposes. This authorization is subject to the availability of funds  
36 appropriated for that purpose in the annual Budget Act.

37 (b) *The board may, by resolution, designate one or more*  
38 *official contracted offices that provide retirement counseling*  
39 *pursuant to subdivision (a) to receive documents submitted*  
40 *pursuant to this part, Part 13.5 (commencing with Section*

1 25900) or Part 14 (commencing with Section 26000).  
2 Notwithstanding any other provision of law, any document  
3 received by an official contracted office designated by the board  
4 pursuant to this subdivision during the office's regular business  
5 hours shall be deemed to have been received by the system's  
6 headquarters office, as established pursuant to Section 22375, on  
7 the date received by the designated official contracted office.

8 SEC. 8. Section 22309 of the Education Code is amended to  
9 read:

10 22309. (a) The board shall issue to each active and inactive  
11 member, no less frequently than annually after the close of the  
12 school year, a statement of the member's individual Defined  
13 Benefit Program and Defined Benefit Supplement accounts,  
14 provided the employer or member has informed the system of the  
15 member's current United States Postal Service mailing address.  
16 If the member indicates that he or she prefers to receive that  
17 annual statement through the Web site of the system, the board  
18 may, in lieu of mailing, issue the annual statement by secured  
19 access through the Web site of the system.

20 (b) The board shall periodically make a good faith effort to  
21 locate inactive members to provide these members with  
22 information concerning any benefit for which they may be  
23 eligible.

24 SEC. 9. Section 22655 of the Education Code is amended to  
25 read:

26 22655. (a) Upon the legal separation or dissolution of  
27 marriage of a retired member, the court may include in the  
28 judgment or court order a determination of the community  
29 property rights of the parties in the retired member's retirement  
30 allowance and, if applicable, retirement benefit under this part  
31 consistent with this section. Upon election under subparagraph  
32 (B) of paragraph (3) of subdivision (a) of Section 2610 of the  
33 Family Code, the court order awarding the nonmember spouse a  
34 community property share in the retirement allowance or  
35 retirement benefit, or both, of a retired member shall be  
36 consistent with this section.

37 (b) If the court does not award the entire retirement allowance  
38 or retirement benefit under this part to the retired member and the  
39 retired member is receiving a retirement allowance that has not  
40 been modified pursuant to Section 24300 or 24300.1, a single life

1 annuity pursuant to Section 25011 or 25018, or a member only  
2 annuity described in paragraph (1) of subdivision (a) of Sections  
3 25011.1 and 25018.1, the court shall require only that the system  
4 pay the nonmember spouse, by separate warrant, his or her  
5 community property share of the retired member's retirement  
6 allowance or retirement benefit, or both, under this part.

7 (c) If the court does not award the entire retirement allowance  
8 or retirement benefit under this part to the retired member and the  
9 retired member is receiving an allowance that has been  
10 actuarially modified pursuant to Section 24300 or 24300.1, or a  
11 joint and survivor annuity pursuant to Section 25011, 25011.1,  
12 25018, or 25018.1, the court shall order only one of the  
13 following:

14 (1) The retired member shall maintain the retirement  
15 allowance or joint and survivor annuity, or both, under this part  
16 without change.

17 (2) The retired member shall cancel the option that modified  
18 the retirement allowance under this part pursuant to Section  
19 24305 and ~~select~~ *elect* a new joint and survivor option or  
20 *designate* a new beneficiary or both, and the system shall pay the  
21 nonmember spouse, by separate warrant, his or her community  
22 property share of the retirement allowance ~~under this part of~~  
23 *payable to* the retired member, the option beneficiary, or both.

24 (3) The retired member shall cancel the joint and survivor  
25 annuity under which the retirement benefit is being paid pursuant  
26 to Section 24305.3, and ~~select~~ *elect* a new joint and survivor  
27 annuity or *designate* a new annuity beneficiary or both, based on  
28 the actuarial equivalent of the member's canceled annuity, and  
29 the system shall pay the nonmember spouse, by separate warrant,  
30 his or her community property share of the retirement benefit  
31 payable to the retired member, the annuity beneficiary, or both.

32 (4) The retired member shall take the action specified in both  
33 paragraphs (2) and (3).

34 (5) The retired member shall cancel the option that modified  
35 the retirement allowance under this part pursuant to Section  
36 24305 and elect an unmodified retirement allowance and the  
37 system shall pay the nonmember spouse, by separate warrant, his  
38 or her community property share of the retired member's  
39 retirement allowance under this part.

(6) The retired member shall cancel, pursuant to Section 24305.3, the joint and survivor annuity under which the retirement benefit is being paid, and ~~select~~ *elect* a single life annuity, and the system shall pay the nonmember spouse, by separate warrant, his or her community property share of the retirement benefit payable to the retired member.

(7) The retired member shall take the action specified in both paragraphs (5) and (6).

(d) If the option beneficiary or annuity beneficiary or both under this part, other than the nonmember spouse, predeceases the retired member, the court shall order the retired member to designate a new option beneficiary pursuant to Section 24306, or a new annuity beneficiary pursuant to Section 24305.3 and shall order the system to pay the nonmember spouse, by separate warrant, his or her share of the community property interest in the retirement allowance or retirement benefit ~~or both under this part~~ *of payable to* the retired member or the new option beneficiary or annuity beneficiary or each of them.

(e) The right of the nonmember spouse to receive his or her community property share of the retired member's retirement allowance or retirement benefit or both under this section shall terminate upon the death of the nonmember spouse. However, the nonmember spouse may designate a beneficiary under the Defined Benefit Program and a payee under the Defined Benefit Supplement Program to receive his or her community property share of the retired member's accumulated retirement contributions and accumulated Defined Benefit Supplement account balance under this part in the event that there are remaining accumulated retirement contributions and a balance of credits in the member's Defined Benefit Supplement account to be paid upon the death of the nonmember spouse.

SEC. 10. Section 22657 of the Education Code is amended to read:

22657. (a) The following provisions shall apply to a nonmember spouse as if he or she were a member under this part: Sections 22107, 22306, 22906, and 23802, subdivisions (a) and (b) of Section 24600, and Sections 24601, 24602, 24603, 24605, 24606, 24607, 24608, 24611, 24612, 24613, 24616, 24617, 25009, 25010, 25011, 25011.1, 25013, 25020, 25021, and 25022.

1 (b) Notwithstanding subdivision (a), this section shall not be  
2 construed to establish any right for the nonmember spouse under  
3 this part that is not explicitly established in Sections 22650 to  
4 22655, inclusive, and Sections 22658 to 22665, inclusive.

5 SEC. 11. Section 22660 of the Education Code is amended to  
6 read:

7 22660. (a) The nonmember spouse who is awarded a  
8 separate account under this part shall have the right to designate,  
9 pursuant to Sections 23300 to 23304, inclusive, a beneficiary or  
10 beneficiaries to receive the accumulated retirement contributions  
11 under the Defined Benefit Program and to designate a payee to  
12 receive the accumulated Defined Benefit Supplement account  
13 balance under the Defined Benefit Supplement Program  
14 remaining in the separate account of the nonmember spouse on  
15 his or her date of death, and any accrued allowance or accrued  
16 benefit under the Defined Benefit Supplement Program that is  
17 attributable to the separate account of the nonmember spouse and  
18 that is unpaid on the date of the death of the nonmember spouse.

19 (b) This section shall not be construed to provide the  
20 nonmember spouse with any right to elect to modify a retirement  
21 allowance under Section 24300 or 24300.1, or to elect a joint and  
22 survivor annuity under the Defined Benefit Supplement Program.

23 SEC. 12. Section 22664 of the Education Code is amended to  
24 read:

25 22664. The nonmember spouse who is awarded a separate  
26 account shall have the right to a service retirement allowance  
27 and, if applicable, a retirement benefit under this part.

28 (a) The nonmember spouse shall be eligible to retire for  
29 service under this part if the following conditions are satisfied:

30 (1) The member had at least five years of credited service  
31 during the period of marriage, at least one year of which had  
32 been performed subsequent to the most recent refund to the  
33 member of accumulated retirement contributions. The credited  
34 service may include service credited to the account of the  
35 member as of the date of the dissolution or legal separation,  
36 previously refunded service, out-of-state service, and permissive  
37 service credit that the member is eligible to purchase at the time  
38 of the dissolution or legal separation.

39 (2) The nonmember spouse has at least 2½ years of credited  
40 service in his or her separate account.

(3) The nonmember spouse has attained 55 years of age or more.

(b) A service retirement allowance of a nonmember spouse under this part shall become effective upon a date designated by the nonmember spouse, provided:

(1) The requirements of subdivision (a) are satisfied.

(2) The nonmember spouse has filed an application for service retirement on a properly executed form provided by the system, that is executed no earlier than six months before the effective date of the retirement allowance.

(3) The effective date is no earlier than the first day of the month that the application is received at the system's headquarters office as described in Section 22375, and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60 $\frac{1}{4}$ .....	2.033
60 $\frac{1}{2}$ .....	2.067
60 $\frac{3}{4}$ .....	2.10
61 .....	2.133
61 $\frac{1}{4}$ .....	2.167
61 $\frac{1}{2}$ .....	2.20
61 $\frac{3}{4}$ .....	2.233

Age at Retirement	Percentage
62 .....	2.267
62 $\frac{1}{4}$ .....	2.30
62 $\frac{1}{2}$ .....	2.333
62 $\frac{3}{4}$ .....	2.367
63 and over .....	2.40

(4) In computing the retirement allowance of the nonmember spouse, the age of the nonmember spouse on the last day of the month that the retirement allowance begins to accrue shall be used.

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final compensation in Section 22134, 22134.5, 22135, or 22136, whichever is applicable, and shall be based on the member's compensation earnable up to the date the parties separated, as established in the judgment or court order pursuant to Section 22652. The nonmember spouse shall not be entitled to use any other calculation of final compensation.

(d) Upon service retirement under this part, the nonmember spouse shall receive a retirement benefit based on an amount equal to the balance of credits in the nonmember spouse's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(1) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the nonmember spouse on the application for a retirement benefit. A retirement benefit paid as an annuity under this chapter shall be subject to Sections 22660, 25011, and 25011.1.

(2) Upon distribution of the entire retirement benefit in a lump-sum payment, no other benefit shall be payable to the nonmember spouse or the nonmember spouse's beneficiary under the Defined Benefit Supplement Program.

(e) If the member is or was receiving a disability allowance under this part with an effective date before or on the date the parties separated as established in the judgment or court order pursuant to Section 22652, or at any time applies for and receives a disability allowance with an effective date that is before or

1 coincides with the date the parties separated as established in the  
2 judgment or court order pursuant to Section 22652, the  
3 nonmember spouse shall not be eligible to retire until after the  
4 disability allowance of the member terminates. If the member  
5 who is or was receiving a disability allowance returns to  
6 employment to perform creditable service subject to coverage  
7 under the Defined Benefit Program or has his or her allowance  
8 terminated under Section 24015, the nonmember spouse may not  
9 be paid a retirement allowance until at least six months after  
10 termination of the disability allowance and the return of the  
11 member to employment to perform creditable service subject to  
12 coverage under the Defined Benefit Program, or the termination  
13 of the disability allowance and the employment or  
14 self-employment of the member in any capacity, notwithstanding  
15 Section 22132. If at the end of the six-month period, the member  
16 has not had a recurrence of the original disability or has not had  
17 his or her earnings fall below the amounts described in Section  
18 24015, the nonmember spouse may be paid a retirement  
19 allowance if all other eligibility requirements are met.

20 (1) The retirement allowance of the nonmember spouse under  
21 this subdivision shall be calculated as follows: the disability  
22 allowance the member was receiving, exclusive of the portion for  
23 dependent children, shall be divided between the share of the  
24 member and the share of the nonmember spouse. The share of  
25 the nonmember spouse shall be the amount obtained by  
26 multiplying the disability allowance, exclusive of the portion for  
27 dependent children, by the years of service credited to the  
28 separate account of the nonmember spouse, including service  
29 projected to the date of separation, and dividing by the projected  
30 service of the member. The nonmember spouse's retirement  
31 allowance shall be the lesser of the share of the nonmember  
32 spouse under this subdivision or the retirement allowance under  
33 subdivision (c).

34 (2) The share of the member shall be the total disability  
35 allowance reduced by the share of the nonmember spouse. The  
36 share of the member shall be considered the disability allowance  
37 of the member for purposes of Section 24213.

38 (f) The nonmember spouse who receives a retirement  
39 allowance is not a retired member under this part. However, the  
40 allowance of the nonmember spouse shall be increased by



1 application of the improvement factor and shall be eligible for  
2 the application of supplemental increases and other benefit  
3 maintenance provisions under this part, including, but not limited  
4 to, Sections 24411, 24412, and 24415 based on the same criteria  
5 used for the application of these benefit maintenance increases to  
6 the service retirement allowances of members.

7 SEC. 13. Section 22703 of the Education Code is amended to  
8 read:

9 22703. (a) Service shall be credited to the Defined Benefit  
10 Program, except as provided in subdivision (b).

11 (b) A member's creditable service that exceeds 1.000 in a  
12 school year shall not be credited to the Defined Benefit Program.  
13 Commencing July 1, 2002, contributions by the employer and the  
14 member that are deposited in the Teachers' Retirement Fund for  
15 creditable compensation paid to the member for service that  
16 exceeds 1.000 in a school year, exclusive of contributions  
17 pursuant to Section 22951, shall be credited to the Defined  
18 Benefit Supplement Program.

19 (c) In lieu of any other benefits provided by this part, any  
20 member who performed service prior to July 1, 1956, shall  
21 receive retirement benefits for that service at least equal to the  
22 benefits that the member would have received for that service  
23 under the provisions of this part as they existed on June 30, 1956.  
24 This subdivision shall not apply to service that is credited in the  
25 San Francisco Employees' Retirement System.

26 (d) The amendments to this section made during the second  
27 year of the 1999–2000 Regular Session shall become operative  
28 on July 1, 2002, if the revenue limit cost-of-living adjustment  
29 computed by the Superintendent of Public Instruction for the  
30 2001–02 fiscal year is equal to or greater than 3.5 percent.  
31 Otherwise the amendments to this section made during the  
32 second year of the 1999–2000 Regular Session shall become  
33 operative on July 1, 2003.

34 SEC. 14. Section 22801 of the Education Code is amended to  
35 read:

36 22801. (a) A member who elects to receive additional service  
37 credit as provided in this chapter shall pay, prior to retirement, all  
38 contributions with respect to that service at the contribution rate  
39 for additional service credit, adopted by the board as a plan  
40 amendment, in effect at the time of election. If the system is

1 unable to inform the member or beneficiary of the amount  
2 required to purchase additional service credit prior to the  
3 effective date of the applicable allowance, the member or  
4 beneficiary may make the required payment within 30 working  
5 days after the date of mailing of the statement of contributions  
6 and interest required or the effective date of the appropriate  
7 allowance, whichever is later. The payment shall be paid in full  
8 before a member or beneficiary receives any adjustment in the  
9 appropriate allowance due because of that payment.  
10 Contributions shall be made in a lump sum, or in not more than  
11 120 monthly installments, not to exceed ten years. No  
12 installment, except the final installment, shall be less than  
13 twenty-five dollars (\$25).

14 (b) If the member is employed to perform creditable service  
15 subject to coverage by the Defined Benefit Program at the time  
16 of the election, the contributions shall be based upon the  
17 compensation earnable in the current school year or either of the  
18 two immediately preceding school years, whichever is highest.

19 (c) If the member is not employed to perform creditable  
20 service subject to coverage by the Defined Benefit Program at  
21 the time of the election, the contributions shall be based upon the  
22 compensation earnable in the last school year of credited service  
23 or either of the two immediately preceding school years,  
24 whichever is highest.

25 (d) The employer may pay the amount required as employer  
26 contributions for additional service credited under paragraphs  
27 (2), (6), (7), (8), and (9) of subdivision (a) of Section 22803.

28 (e) The Public Employees' Retirement System shall transfer  
29 the actuarial present value of the assets of a person who makes an  
30 election pursuant to paragraph (10) of subdivision (a) of Section  
31 22803.

32 (f) Regular interest shall be charged on all contributions from  
33 the end of the school year on which the contributions were based  
34 to the date of payment.

35 (g) Regular interest shall be charged on the monthly unpaid  
36 balance if the member pays in installments. Regular interest may  
37 not be charged or be payable for the period of a delay caused by  
38 the system's inability or failure to determine and inform the  
39 member or beneficiary of the amount of contributions and  
40 interest that is payable. The period of delay shall commence on

1 the 20th day following the day on which the member or  
2 beneficiary who wishes to make payment evidences in writing to  
3 the system that he or she is ready, willing, and able to make  
4 payment to the system. The period of delay shall cease on the  
5 first day of the month following the mailing of notification of  
6 contributions and interest payable.

7 (h) If the payment described in subdivision (a) is not received  
8 at the system's headquarters office, as described in Section  
9 22375, within 120 days of the due date, the election pursuant to  
10 this section shall be canceled. The member shall receive credit  
11 for additional service based on the payments that were made or  
12 the member may request a return of his or her payments.

13 (i) If the election to purchase additional service credit is  
14 canceled as described in subdivision (h), the member may, prior  
15 to the effective date of his or her retirement, elect to purchase  
16 additional service credit pursuant to this section.

17 SEC. 15. Section 22823 of the Education Code is amended to  
18 read:

19 22823. (a) A member who elects to receive credit for  
20 out-of-state service as provided in this chapter shall pay, prior to  
21 retirement, all contributions with respect to that service at the  
22 contribution rate for additional service credit adopted by the  
23 board as a plan amendment, in effect at the time of election.

24 (b) (1) Any payment that a member may make to the system  
25 to obtain credit for out-of-state service pursuant to this chapter  
26 shall be paid in full prior to the effective date of a family,  
27 survivor, disability, or retirement allowance.

28 (2) If the system is unable to inform the member or  
29 beneficiary of the amount required to purchase out-of-state  
30 service prior to the effective date of the applicable allowance, the  
31 member or beneficiary may make payment in full within 30  
32 working days after the date of mailing of the statement of  
33 contributions and interest required or the effective date of the  
34 appropriate allowance, whichever is later. The payment shall be  
35 paid in full before a member or beneficiary may receive any  
36 adjustment in the appropriate allowance due because of that  
37 payment.

38 (c) Contributions for out-of-state service credit shall be made  
39 in a lump sum, or in not more than 120 monthly installments, not

1 to exceed ten years. No installment, except the final installment,  
2 shall be less than twenty-five dollars (\$25).

3 (d) Regular interest shall be charged on the monthly unpaid  
4 balance if the member makes installment payments.

5 (e) If the payment described in subdivision (a) is not received  
6 at the system's headquarters office, as described in Section  
7 22375, within 120 days of the due date, the election pursuant to  
8 this section shall be canceled. The member shall receive credit  
9 for out-of-state service based on the payments that were made or  
10 the member may request a return of his or her payments.

11 (f) If the election to purchase out-of-state service is canceled  
12 as described in subdivision (e), the member may, prior to the  
13 effective date of his or her retirement, elect to purchase  
14 out-of-state service pursuant to this section.

15 SEC. 16. Section 22826 of the Education Code is amended to  
16 read:

17 22826. (a) A member may elect to receive up to five years of  
18 credit for nonqualified service provided the member is vested in  
19 the Defined Benefit Program as provided in Section 22156.

20 (b) A member who elects to receive credit for nonqualified  
21 service as provided in this chapter shall contribute to the  
22 retirement fund the actuarial cost of the service, including  
23 interest as appropriate, as determined by the board based on the  
24 most recent valuation of the plan with respect to the Defined  
25 Benefit Program.

26 (1) Payment that a member may make to the system to obtain  
27 credit for nonqualified service shall be paid in full prior to the  
28 effective date of a family, survivor, disability, or retirement  
29 allowance.

30 (2) If the system is unable to inform the member of the amount  
31 required to purchase nonqualified service prior to the effective  
32 date of the applicable allowance, the member may make payment  
33 in full within 30 working days after the date of mailing of the  
34 statement of contributions and interest required or the effective  
35 date of the appropriate allowance, whichever is later.

36 (c) Contributions for nonqualified service credit shall be made  
37 in a lump sum or in not more than 120 monthly installments, not  
38 to exceed ten years. No installment, except the final installment,  
39 shall be less than twenty-five dollars (\$25).

1 (d) Regular interest shall be charged on the monthly unpaid  
2 balance if the member makes installment payments.

3 (e) If the payment described in subdivision (a) is not received  
4 at the system's headquarters office, as described in Section  
5 22375, within 120 days of the due date, the election pursuant to  
6 this section shall be canceled. The member shall receive credit  
7 for nonqualified service based on the payments that were made  
8 or the member may request a return of his or her payments.

9 (f) If the election to purchase nonqualified service is canceled  
10 as described in subdivision (e), the member may, prior to the  
11 effective date of his or her retirement, elect to purchase  
12 nonqualified service pursuant to this section.

13 SEC. 17. Section 23004 of the Education Code is amended to  
14 read:

15 23004. The county superintendent of schools or employing  
16 agency shall, or a school district or community college district  
17 may, with approval of the board, submit a report monthly to the  
18 system containing information as the board may require in the  
19 administration of the plan. That monthly report shall be  
20 submitted electronically in an encrypted format provided by the  
21 system that ensures the security of the transmitted member data.

22 SEC. 18. Section 23300 of the Education Code is amended to  
23 read:

24 23300. (a) A member of the Defined Benefit Program may  
25 designate a beneficiary to receive benefits payable under this part  
26 upon the member's death. A beneficiary designation may not be  
27 made in derogation of a community property interest of a  
28 nonmember spouse, as defined by Section 25000.9, with respect  
29 to service or contributions credited under this part, unless the  
30 nonmember spouse has previously obtained an alternative order  
31 pursuant to Section 2610 of the Family Code.

32 (b) A member's beneficiary designation for benefits payable  
33 under the Defined Benefit Program, including a designation  
34 made pursuant to Section 24300 or 24300.1, shall also apply to  
35 benefits payable under the Defined Benefit Supplement Program.  
36 A beneficiary designation shall be in writing on a form  
37 prescribed by the system and executed by the member.

38 (c) A beneficiary designation shall not be valid unless it is  
39 received in the system's headquarters office, as established  
40 pursuant to Section 22375, prior to the member's death.

(d) A member may change or revoke a beneficiary designation at any time by making a new designation pursuant to this section.

(e) This section is not applicable to the designation of an option beneficiary or an annuity beneficiary under this part.

(f) An option beneficiary may designate a death beneficiary who would, upon the death of the option beneficiary, be entitled to receive the option beneficiary's accrued monthly allowance.

SEC. 19. Section 23805 of the Education Code is amended to read:

23805. A family allowance is payable in the amount and to the specified persons in the following order of priority:

(a) To the deceased member's surviving spouse who has financial responsibility for at least one dependent child, an amount equal to 40 percent of the member's final compensation or the disabled member's projected final compensation plus 10 percent of the member's final compensation or the disabled member's projected final compensation for each child, up to a maximum allowance of 90 percent.

(b) If there is no surviving spouse or upon the death of the surviving spouse, to each dependent child, an amount equal to 10 percent of the deceased member's final compensation or the disabled member's projected final compensation, up to a maximum allowance of 50 percent. If there are more than five dependent children, they shall share equally in the maximum allowance of 50 percent.

(c) To the surviving spouse at 60 years of age or over if there is no dependent child, a monthly allowance equal to the amount that would have been payable to the spouse as beneficiary under Option 3 pursuant to Section 24300 that provides an allowance equal to one-half of the modified retirement allowance the member would have received at 60 years of age, computed on the member's projected final compensation and projected service to normal retirement age. The allowance payable under this subdivision shall be increased by application of the benefit improvement factor for time that elapses between the date the member would have attained normal retirement age and the date the family allowance under this subdivision begins to accrue. The allowance calculation shall include service credit for the unused sick leave that had accrued to the member as of the date of his or her death. Eligibility for the inclusion of service credit for unused

1 sick leave credit and the calculation of that service credit shall be  
2 determined pursuant to Section 22717.

3 (d) If there is no surviving spouse or dependent child, to the  
4 dependent parent, 60 years of age or over, a monthly allowance  
5 equal to the amount that would have been payable to the  
6 dependent parent as beneficiary under Option 3 pursuant to  
7 Section 24300 that provides an allowance equal to one-half of the  
8 modified retirement allowance the member would have received  
9 at 60 years of age, computed on the member's projected final  
10 compensation and projected service to normal retirement age.  
11 The allowance calculation shall include service credit for the  
12 unused sick leave that had accrued to the member as of the date  
13 of his or her death. Eligibility for the inclusion of service credit  
14 for unused sick leave and the calculation of that service credit  
15 shall be determined pursuant to Section 22717. If there are two  
16 dependent parents, only one family allowance shall be payable  
17 under this subdivision and that allowance shall be computed on  
18 the assumption that the younger parent is the option beneficiary  
19 and the allowance shall be divided equally for as long as there  
20 are two dependent parents. Thereafter, the full allowance shall be  
21 payable to the surviving dependent parent.

22 (e) The surviving spouse or dependent parent may elect to  
23 begin receiving the family allowance payable under subdivision  
24 (c) or (d) immediately upon the later of the death of the member  
25 or when there is no dependent child, or to defer receipt of the  
26 allowance to the date the surviving spouse or dependent parent  
27 attains 60 years of age. If allowance payments commence prior to  
28 the date the surviving spouse or dependent parent attains 60 years  
29 of age, the allowance payable shall be actuarially reduced.

30 (f) If there is no dependent child, a surviving spouse or  
31 dependent parent or parents may elect, prior to receipt of the first  
32 payment under subdivision (c) or (d), to receive the member's  
33 accumulated retirement contributions in a lump sum subject to a  
34 reduction for any disability allowance or family allowance  
35 payments previously made.

36 (g) (1) *The allowance calculated under this section shall not*  
37 *include either of the following:*

38 (A) *The increase in the percentage of final compensation*  
39 *pursuant to Section 24203.5.*

1     (B) *The increase in the monthly allowance pursuant to Section*  
2     24203.6.

3     (2) *This subdivision does not constitute a change in, but is*  
4     *declaratory of, the existing law.*

5     SEC. 20. Section 23855 of the Education Code is amended to  
6     read:

7     23855. (a) The survivor benefit allowance is a monthly  
8     allowance equal to one-half of the modified retirement allowance  
9     the member would have received at 60 years of age, if the  
10    member had retired and elected Option 3 pursuant to Section  
11    24300 ~~that provides an allowance equal to one-half of the~~  
12    ~~modified allowance the member would have received at 60 years~~  
13    ~~of age, naming the spouse as the option beneficiary.~~

14    (b) The allowance payable under this subdivision shall be  
15    based on the member's actual service credit and final  
16    compensation as of the date of his or her death, the retirement  
17    factor at 60 years of age, and the member's and spouse's ages as  
18    of the date the member would have attained 60 years of age. If  
19    the member's death occurs after he or she attains 60 years of age,  
20    his or her actual final compensation, the retirement factor at 60  
21    years of age, and the member's and spouse's ages as of the date  
22    of the member's death shall be used in the allowance calculation.

23    (c) The allowance calculation shall include service credit for  
24    the unused sick leave that had accrued to the member as of the  
25    date of his or her death. Eligibility for the inclusion of unused  
26    sick leave service credit and the calculation of that service credit  
27    shall be determined pursuant to Section 22717.

28    (d) (1) *The allowance calculation shall not include either of*  
29    *the following:*

30    (A) *The increase in the percentage of final compensation*  
31    *pursuant to Section 24203.5.*

32    (B) *The increase in the monthly allowance pursuant to Section*  
33    24203.6.

34    (2) *This subdivision does not constitute a change in, but is*  
35    *declaratory of, the existing law.*

36    (e) The surviving spouse may elect to begin receiving the  
37    survivor benefit allowance immediately as of the date of the  
38    member's death or to defer receipt of the allowance to the date  
39    the member would have attained 60 years of age. If allowance  
40    payments to the surviving spouse commence prior to the date the



1 member would have attained 60 years of age, the allowance  
2 payable shall be actuarially reduced.

3 ~~(e)~~

4 (f) If the spouse elects, pursuant to Section 23852, to receive  
5 the survivor benefit allowance, an additional 10 percent of final  
6 compensation shall be payable for each dependent child who is  
7 under 21 years of age, up to a maximum of 50 percent of final  
8 compensation. The child's portion shall begin to accrue on the  
9 day following the member's date of death and shall be payable  
10 even if the spouse elects to postpone receipt of the spouse's  
11 survivor benefit allowance until the date the member would have  
12 attained 60 years of age.

13 SEC. 21. Section 24201 of the Education Code is amended to  
14 read:

15 24201. (a) A member may retire for service under this part  
16 upon written application for retirement to the board on a properly  
17 executed form provided by the system, under paragraph (1) or (2)  
18 as follows:

19 (1) The member has attained 55 years of age or more and has  
20 at least five years of credited service, at least one year of which  
21 has been performed subsequent to the most recent refund of  
22 accumulated retirement contributions. The five years of credited  
23 service may include out-of-state service purchased pursuant to  
24 Section 22820. The number of years of credited service  
25 performed in California shall not be less than the number of years  
26 necessary to determine final compensation pursuant to Section  
27 22134 or 22135, whichever is applicable to the member.

28 (2) The member is credited with service that is not used as a  
29 basis for benefits under any other public retirement system,  
30 excluding the federal social security system, if the member has  
31 attained 55 years of age or older and retires concurrently under  
32 one or more of the retirement systems with which the member  
33 has concurrent membership as defined in Section 22115.2.

34 (b) Application for retirement under paragraph (2) of  
35 subdivision (a) may be made even if the member has not earned  
36 five years of credited service.

37 SEC. 22. Section 24202.5 of the Education Code is amended  
38 to read:

24202.5. (a) A member who retires for service on or after January 1, 1999, shall receive a retirement allowance consisting of all of the following:

(1) An annual allowance payable in monthly installments, upon retirement equal to the percentage of the final compensation set forth opposite the member's age at retirement in the following table multiplied by each year of credited service:

Age at Retirement	Percentage
60.....	2.00
60 $\frac{1}{4}$ .....	2.033
60 $\frac{1}{2}$ .....	2.067
60 $\frac{3}{4}$ .....	2.10
61 .....	2.133
61 $\frac{1}{4}$ .....	2.167
61 $\frac{1}{2}$ .....	2.20
61 $\frac{3}{4}$ .....	2.233
62 .....	2.267
62 $\frac{1}{4}$ .....	2.30
62 $\frac{1}{2}$ .....	2.333
62 $\frac{3}{4}$ .....	2.367
63 and over .....	2.40

If the member's retirement is effective at less than normal retirement age and between early retirement age and normal retirement age, the member's allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month that will elapse until the member will attain normal retirement age.

(2) An annuity that shall be the actuarial equivalent of the member's accumulated annuity deposit contributions at the time of retirement.

(3) An annuity based on the balance of credits in the member's Defined Benefit Supplement account, pursuant to Section 25012, if elected by the member pursuant to Section 25011 or 25011.1.

(b) In computing the amounts described in paragraph (1) of subdivision (a), the age of the member on the last day of the month in which the retirement allowance begins to accrue or the later date as described in Section 24204 shall be used.

SEC. 23. Section 24203.6 of the Education Code is amended to read:

24203.6. (a) In addition to the amount otherwise payable pursuant to Sections 24202.5, 24203, 24203.5, 24205, 24209, 24209.3, 24210, 24211, and 24212, a member shall receive an increase in the monthly allowance, prior to any modification pursuant to Sections 24300, 24300.1, and 24309, in the amount identified in subdivision (b), if the member meets all of the following criteria:

(1) The member retires for service on or after January 1, 2001.

(2) Prior to January 1, 2011, the member has 30 or more years of credited service, including any credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652, but excluding service credited pursuant to the following:

(A) Section 22714.

(B) Section 22714.5.

(C) Section 22715.

(D) Section 22717, except as provided in subdivision (b) of Section 22121.

(E) Section 22717.5.

(F) Section 22826.

(3) The member is receiving an allowance subject to Section 24203.5.

(b) The amount of the increase in the monthly allowance shall be based on the member's years of credited service at the time of retirement as follows:

30 years of credited service.....	\$200
31 years of credited service.....	\$300
32 or more years of credited service.....	\$400

(c) This section also applies to a nonmember spouse, if all of the following conditions are satisfied:

(1) The member is eligible for the allowance increase pursuant to subdivisions (a) and (b) upon his or her retirement for service.

(2) On the date the parties separated, as established in the judgment or court order pursuant to Section 22652, the member had at least 30 years of credited service, excluding service credited pursuant to the following:

(A) Section 22714.

1 (B) Section 22714.5.

2 (C) Section 22715.

3 (D) Section 22717, except as provided in subdivision (b) of  
4 Section 22121.

5 (E) Section 22717.5.

6 (F) Section 22826.

7 (3) The service credit of the member was divided into separate  
8 accounts in the name of the member and the nonmember spouse  
9 by a court pursuant to Section 22652. The amount identified in  
10 the schedule in subdivision (b) and payable pursuant to this  
11 section, that is based on the service credited during the marriage,  
12 shall be divided and paid to the member and the nonmember  
13 spouse proportionately according to the respective percentages of  
14 the member's service credit that were allocated to the member  
15 and the nonmember spouse in the court's order.

16 (d) The allowance increase provided under this section is not  
17 subject to Sections 24415 and 24417, but is subject to Section  
18 22140.

19 SEC. 24. Section 24205 of the Education Code is amended to  
20 read:

21 24205. Any member retiring prior to 60 years of age, and  
22 who has attained 55 years of age, may elect to receive one-half of  
23 the service retirement allowance for normal retirement age for a  
24 limited time and then revert to the full retirement allowance for  
25 normal retirement age.

26 (a) The retirement allowance shall be based on service credit  
27 and final compensation as of the date of retirement for service  
28 and shall be calculated with the factor for normal retirement age.

29 (b) If the member elects a joint and survivor option under  
30 Section 24300 or 24300.1, the actuarial reduction shall be based  
31 on the member's and beneficiary's ages as of the effective date of  
32 the early retirement. If the member elected a preretirement option  
33 under Section 24307, the actuarial reduction shall be based on the  
34 member's and beneficiary's ages as determined by provisions of  
35 that section.

36 (c) One-half of the retirement allowance as of 60 years of age  
37 shall be paid for a period of time equal to twice the elapsed time  
38 between the effective date of retirement and the date of the  
39 retired member's 60th birthday.

1 (d) The full retirement allowance as calculated under  
2 subdivision (a) or (b) shall begin to accrue as of the first of the  
3 month following the reduction period as specified in subdivision  
4 (c). The full retirement allowance shall not begin to accrue prior  
5 to this time under any circumstances, including, but not limited  
6 to, divorce or death of the named beneficiary.

7 (e) The annual improvement factor provided for in Sections  
8 22140 and 22141 shall be based upon the retirement allowance as  
9 calculated under subdivision (a) or (b). The improvement factor  
10 shall begin to accrue on September 1 following the retired  
11 member's 60th birthday. These increases shall be accumulated  
12 and shall become payable when the full retirement allowance for  
13 normal retirement age first becomes payable.

14 (f) Any ad hoc benefit increase with an effective date prior to  
15 the retired member's 60th birthday shall not affect any allowance  
16 payable under this section. Only those ad hoc improvements with  
17 effective dates on or after the retired member's 60th birthday  
18 shall be accrued and accumulated and shall first become payable  
19 when the full retirement allowance for normal retirement age  
20 becomes payable.

21 (g) The cancellation of an option election in accordance with  
22 Section 24305 shall not cancel the election under this section.  
23 Upon cancellation of the joint and survivor option, one-half of  
24 the retired member's retirement allowance as calculated under  
25 subdivision (a) shall become payable for the balance of the  
26 reduction period specified in subdivision (c).

27 (h) If a retired member who has elected a joint and survivor  
28 option dies during the period when the reduced allowance is  
29 payable, the beneficiary shall receive one-half of the allowance  
30 payable to the beneficiary until the date when the retired member  
31 would have received the full retirement allowance for normal  
32 retirement age. At that time, the beneficiary's allowance shall be  
33 increased to the full amount payable to the beneficiary plus the  
34 appropriate annual improvement factor increases and ad hoc  
35 increases.

36 SEC. 25. Section 24209 of the Education Code is amended to  
37 read:

38 24209. (a) Upon retirement for service following  
39 reinstatement, the member shall receive a service retirement  
40 allowance equal to the sum of both of the following:

(1) An amount equal to the monthly allowance the member was receiving immediately preceding reinstatement, exclusive of any amounts payable pursuant to Section 22714, 22714.5, or 22715, increased by the improvement factor that would have been applied to the allowance if the member had not reinstated.

(2) An amount calculated pursuant to Section 24202, 24202.5, 24203, 24203.5, or 24206 on service credited subsequent to the most recent reinstatement, the member's age at retirement, and final compensation.

(b) If the total amount of credited service, other than that accrued pursuant to Sections 22714, 22714.5, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, the amounts identified in paragraphs (1), for members who initially retired on or after January 1, 1999, and (2) of subdivision (a) shall be calculated pursuant to Section 24203.5.

(c) If the total amount of credited service, other than that accrued pursuant to Sections 22714, 22714.5, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, upon retirement for service following reinstatement, a member who retired pursuant to Section 24213, and received the terminated disability allowance for the prior retirement, shall receive a service retirement allowance equal to the sum of the following:

(1) An amount based on the service credit accrued prior to the effective date of the disability allowance, the member's age at the prior retirement increased by the factor provided in Section 24203.5, and projected final compensation.

(2) An amount calculated pursuant to Section 24202, 24202.5, 24203.5, or 24206 on service credited subsequent to the reinstatement, the member's age at retirement, and final compensation.

(d) For purposes of this section, final compensation shall not be based on a determination of compensation earnable as described in subdivision (e) of Section 22115.

SEC. 26. Section 24209.3 of the Education Code is amended to read:

24209.3. (a) Notwithstanding subdivision (a) of Section 24209 and subdivision (d) of Section 24204, and exclusive of any amounts payable during the prior retirement for service pursuant to Section 22714, 22714.5, or 22715:

(1) A member who retired, other than pursuant to Section 24210, 24211, 24212, or 24213, and who reinstates and performs creditable service, as defined in Section 22119.5, after the most recent reinstatement, in an amount equal to two or more years of credited service, shall, upon retirement for service on or after the effective date of this section, receive a service retirement allowance equal to the sum of the following:

(A) An amount calculated pursuant to this chapter based on credited service performed prior to the most recent reinstatement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation.

(B) An amount calculated pursuant to this chapter based on credited service performed subsequent to the most recent reinstatement, using the member's age at the subsequent service retirement, and final compensation.

(2) A member who retired pursuant to Section 24210 and who reinstates and performs creditable service, as defined in Section 22119.5, after the most recent reinstatement, in an amount equal to two or more years of credited service, shall, upon retirement for service on or after the effective date of this section, receive a service retirement allowance equal to the sum of the following:

(A) An amount calculated pursuant to this chapter based on service credit accrued prior to the effective date of the disability retirement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and indexed final compensation to the effective date of the initial service retirement.

(B) An amount calculated pursuant to this chapter based on the service credit accrued after termination of the disability retirement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation.

(C) An amount calculated pursuant to this chapter based on credited service performed subsequent to the most recent reinstatement, using the member's age at the subsequent service retirement, and final compensation.

1 (3) A member who retired pursuant to Section 24211 and who  
2 reinstates and performs creditable service, as defined in Section  
3 22119.5, after the most recent reinstatement, in an amount equal  
4 to two or more years of credited service, shall, upon retirement  
5 for service on or after the effective date of this section, receive a  
6 service retirement allowance equal to the sum of the following:

7 (A) The greater of (i) the disability allowance the member was  
8 receiving immediately prior to termination of that allowance,  
9 excluding the children's portion, or (ii) an amount calculated  
10 pursuant to this chapter based on service credit accrued prior to  
11 the effective date of the disability allowance, using the member's  
12 age at the subsequent service retirement, from which age shall be  
13 deducted the total time during which the member was retired for  
14 service, and final compensation using compensation earnable or  
15 projected final compensation or a combination of both.

16 (B) An amount equal to either of the following:

17 (i) For a member who was receiving a benefit pursuant to  
18 subdivision (a) of Section 24211, the member's credited service  
19 at the time of the retirement pursuant to Section 24211, excluding  
20 service credited pursuant to Section 22717 or 22717.5 or Chapter  
21 14 (commencing with Section 22800) or Chapter 14.2  
22 (commencing with Section 22820) or Chapter 19 (commencing  
23 with Section 23200).

24 (ii) For a member who was receiving a benefit pursuant to  
25 subdivision (b) of Section 24211, the member's projected  
26 service, excluding service credited pursuant to Section 22717 or  
27 22717.5 or Chapter 14 (commencing with Section 22800) or  
28 Chapter 14.2 (commencing with Section 22820) or Chapter 19  
29 (commencing with Section 23200).

30 (C) An amount calculated pursuant to this chapter based on  
31 credited service performed subsequent to the most recent  
32 reinstatement, using the member's age at the subsequent service  
33 retirement, and final compensation using compensation earnable  
34 or projected final compensation or a combination of both.

35 (D) An amount based on any service credited pursuant to  
36 Chapter 14 (commencing with Section 22800) or Chapter 14.2  
37 (commencing with Section 22820) or Chapter 19 (commencing  
38 with Section 23200) or, for credited service performed during the  
39 most recent reinstatement, Section 22714, 22714.5, 22715,  
40 22717, or 22717.5, using the member's age at the subsequent



1 service retirement, from which age shall be deducted the total  
2 time during which the member was retired for service, and final  
3 compensation using compensation earnable, or projected final  
4 compensation, or a combination of both.

5 (4) A member who retired pursuant to Section 24212 or 24213  
6 and who reinstates and performs creditable service, as defined in  
7 Section 22119.5, after the most recent reinstatement, in an  
8 amount equal to two or more years of credited service, shall,  
9 upon retirement for service on or after the effective date of this  
10 section, receive a service retirement allowance equal to the sum  
11 of the following:

12 (A) An amount calculated pursuant to this chapter based on  
13 the member's projected service credit, excluding service credited  
14 pursuant to Section 22717, 22717.5, or Chapter 14 (commencing  
15 with Section 22800) or Chapter 14.2 (commencing with Section  
16 22820) or Chapter 19 (commencing with Section 23200), using  
17 the member's age at the subsequent service retirement, from  
18 which age shall be deducted the total time during which the  
19 member was retired for service, and final compensation using  
20 compensation earnable or projected final compensation or a  
21 combination of both.

22 (B) An amount calculated pursuant to this chapter based on  
23 credited service performed subsequent to the most recent  
24 reinstatement, using the member's age at the subsequent service  
25 retirement, and final compensation, using compensation earnable  
26 or projected final compensation or a combination of both.

27 (C) An amount based on any service credited pursuant to  
28 Chapter 14 (commencing with Section 22800) or Chapter 14.2  
29 (commencing with Section 22820) or Chapter 19 (commencing  
30 with Section 23200) or, for credited service performed during the  
31 most recent reinstatement, Section 22714, 22714.5, 22715,  
32 22717, or 22717.5, using the member's age at the subsequent  
33 service retirement, from which age shall be deducted the total  
34 time during which the member was retired for service, and final  
35 compensation using compensation earnable, or projected final  
36 compensation, or a combination of both.

37 (b) If the total amount of credited service, other than that  
38 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,  
39 22717.5, and 22826, is equal to or greater than the number of  
40 years required to be eligible for an increased allowance pursuant

1 to this chapter or Section 22134.5, the amounts identified in this  
2 section shall be calculated pursuant to the section authorizing the  
3 increased benefit.

4 (c) For members receiving an allowance pursuant to Section  
5 24410.5 or 24410.6, the amount payable pursuant to this section  
6 shall not be less than the amount payable to the member as of the  
7 effective date of reinstatement.

8 (d) The amount payable pursuant to this section shall not be  
9 less than the amount that would be payable to the member  
10 pursuant to Section 24209.

11 (e) For purposes of determining an allowance increase  
12 pursuant to Sections 24415 and 24417, the calendar year of  
13 retirement shall be the year of the subsequent retirement if the  
14 final compensation used to calculate the allowance pursuant to  
15 this section is higher than the final compensation used to  
16 calculate the allowance for the prior retirement.

17 (f) The allowance paid pursuant to this section to a member  
18 receiving a lump-sum payment pursuant to Section 24221 shall  
19 be actuarially reduced to reflect that lump-sum payment.

20 (g) For purposes of this section, final compensation shall not  
21 be based on a determination of compensation earnable as  
22 described in subdivision (e) of Section 22115.

23 SEC. 27. Section 24211 of the Education Code is amended to  
24 read:

25 24211. When a member who has been granted a disability  
26 allowance under this part after June 30, 1972, returns to  
27 employment subject to coverage under the Defined Benefit  
28 Program and performs:

29 (a) Less than three years of creditable service after termination  
30 of the disability allowance, the member shall receive a retirement  
31 allowance which is the sum of the allowance calculated on  
32 service credit accrued after the termination date of the disability  
33 allowance, the age of the member on the last day of the month in  
34 which the retirement allowance begins to accrue, and final  
35 compensation using compensation earnable and projected final  
36 compensation, plus the greater of either of the following:

37 (1) A service retirement allowance calculated on service credit  
38 accrued as of the effective date of the disability allowance, the  
39 age of the member on the last day of the month in which the  
40 retirement allowance begins to accrue, and projected final

1 compensation excluding service credited pursuant to Sections  
2 22717 and 22717.5 or Chapter 14 (commencing with Section  
3 22800) or Chapter 14.2 (commencing with Section 22820) or  
4 Chapter 19 (commencing with Section 23200), to the termination  
5 date of the disability allowance.

6 (2) The disability allowance the member was receiving  
7 immediately prior to termination of that allowance, excluding  
8 children's portions.

9 (b) Three or more years of creditable service after termination  
10 of the disability allowance, the member shall receive a retirement  
11 allowance that is the greater of the following:

12 (1) A service retirement allowance calculated on all actual and  
13 projected service excluding service credited pursuant to Sections  
14 22717 and 22717.5 or Chapter 14 (commencing with Section  
15 22800) or Chapter 14.2 (commencing with Section 22820) or  
16 Chapter 19 (commencing with Section 23200), the age of the  
17 member on the last day of the month in which the retirement  
18 allowance begins to accrue, and final compensation using  
19 compensation earnable, or projected final compensation, or a  
20 combination of both.

21 (2) The disability allowance the member was receiving  
22 immediately prior to termination of that allowance, excluding  
23 children's portions.

24 (c) The allowance shall be increased by an amount based on  
25 any service credited pursuant to Sections 22714, 22714.5, 22715,  
26 22717, and 22717.5 or Chapter 14 (commencing with Section  
27 22800) or Chapter 14.2 (commencing with Section 22820) or  
28 Chapter 19 (commencing with Section 23200), and final  
29 compensation using compensation earnable, or projected final  
30 compensation, or a combination of both.

31 (d) If the total amount of credited service, other than projected  
32 service or service that accrued pursuant to Sections 22714,  
33 22714.5, 22715, 22717, 22717.5, and 22826, is equal to or  
34 greater than 30 years, the amounts identified in subdivisions (a)  
35 and (b) shall be calculated pursuant to Sections 24203.5 and  
36 24203.6.

37 (e) For purposes of this section, final compensation shall not  
38 be based on a determination of compensation earnable as  
39 described in subdivision (e) of Section 22115.

SEC. 28. Section 24214 of the Education Code, as amended by Section 24 of Chapter 351 of the Statutes of 2005, is amended to read:

24214. (a) A member retired for service under this part may perform the activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5 as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system, but the member may not make contributions to the retirement fund or accrue service credit based on compensation earned from that service. The employer shall maintain accurate records of the earnings of the retired member and report those earnings monthly to the system and retired member as described in Section 22461.

(b) If a member is retired for service under this part, the rate of pay for service performed by that member as an employee of the employer, as an employee of a third party, or as an independent contractor, may not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties.

(c) A member retired for service under this part may not be required to reinstate for performing the activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5, as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system.

(d) A member retired for service under this part may earn compensation for performing activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5 in any one school year up to the limitation specified in subdivision (f) as an employee of an employer, as an employee of a third party, or an independent contractor, within the California public school system, without a reduction in his or her retirement allowance.

(e) (1) The postretirement compensation limitation provisions set forth in this section are not applicable to compensation earned by a member retired for service under this part who has returned to work after the date of retirement and, for a period of at least 12 consecutive months, has not performed the activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision

1 (b), of Section 22119.5 as an employee of an employer, as an  
2 employee of a third party, or as an independent contractor within  
3 the California public school system. For the purpose of this  
4 paragraph, the period of 12 consecutive months begins from the  
5 effective date of the member's most recent retirement.

6 (2) The postretirement compensation limitation provisions set  
7 forth in this section are not applicable to compensation earned for  
8 the performance of the activities described in subdivision (a) for  
9 which the employer is not eligible to receive state apportionment  
10 or to compensation that is not creditable pursuant to Section  
11 22119.2.

12 (f) The limitation that shall apply to the compensation for  
13 performance of the activities identified in paragraphs (1) to (9),  
14 inclusive, of subdivision (a), or subdivision (b), of Section  
15 22119.5 by a member retired for service under this part either as  
16 an employee of an employer, an employee of a third party, or as  
17 an independent contractor, shall, in any one school year, be an  
18 amount calculated by the board each July 1 equal to twenty-two  
19 thousand dollars (\$22,000) adjusted by the percentage change in  
20 the average compensation earnable of active members of the  
21 Defined Benefit Program, as determined by the system, from the  
22 1998–99 fiscal year to the fiscal year ending in the previous  
23 calendar year.

24 (g) If a member retired for service under this part earns  
25 compensation for performing activities identified in paragraphs  
26 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
27 Section 22119.5 in excess of the limitation specified in  
28 subdivision (f), as an employee of an employer, as an employee  
29 of a third party, or as an independent contractor, within the  
30 California public school system, and if that compensation is not  
31 exempt from that limitation under subdivision (e) or any other  
32 provisions of law, the member's retirement allowance shall be  
33 reduced by the amount of the excess compensation. The amount  
34 of the reduction may be equal to the monthly allowance payable  
35 but shall not exceed the amount of the annual allowance payable  
36 under this part for the fiscal year in which the excess  
37 compensation was earned.

38 (h) The amendments to this section enacted during the  
39 1995–96 Regular Session shall be deemed to have become  
40 operative on July 1, 1996.

(i) This section shall be repealed on January 1, 2008, unless later enacted legislation extends or deletes that date.

SEC. 29. Section 24214 of the Education Code, as amended by Section 23 of Chapter 912 of the Statutes of 2004, is amended to read:

24214. (a) A member retired for service under this part may perform the activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5 as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system, but the member may not make contributions to the retirement fund or accrue service credit based on compensation earned from that service. The employer shall maintain accurate records of the earnings of the retired member and report those earnings monthly to the system and retired member as described in Section 22461.

(b) If a member is retired for service under this part, the rate of pay for service performed by that member as an employee of the employer, as an employee of a third party, or as an independent contractor, may not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties.

(c) A member retired for service under this part may not be required to reinstate for performing the activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5, as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system.

(d) A member retired for service under this part may earn compensation for performing activities identified in paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision (b), of Section 22119.5 in any one school year up to the limitation specified in subdivision (f) as an employee of an employer, as an employee of a third party, or an independent contractor, within the California public school system, without a reduction in his or her retirement allowance.

(e) The postretirement compensation limitation provisions set forth in this section are not applicable to compensation earned for the performance of the activities described in subdivision (a) for which the employer is not eligible to receive state apportionment

1 or to compensation that is not creditable pursuant to Section  
2 22119.2.

3 (f) The limitation that shall apply to the compensation for  
4 performance of the activities identified in paragraphs (1) to (9),  
5 inclusive, of subdivision (a), or subdivision (b), of Section  
6 22119.5 by a member retired for service under this part either as  
7 an employee of an employer, an employee of a third party, or as  
8 an independent contractor, shall, in any one school year, be an  
9 amount calculated by the board each July 1 equal to twenty-two  
10 thousand dollars (\$22,000) adjusted by the percentage change in  
11 the average compensation earnable of active members of the  
12 Defined Benefit Program, as determined by the system, from the  
13 1998–99 fiscal year to the fiscal year ending in the previous  
14 calendar year.

15 (g) If a member retired for service under this part earns  
16 compensation for performing activities identified in paragraphs  
17 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
18 Section 22119.5 in excess of the limitation specified in  
19 subdivision (f), as an employee of an employer, as an employee  
20 of a third party, or as an independent contractor, within the  
21 California public school system, the member's retirement  
22 allowance shall be reduced by the amount of the excess  
23 compensation. The amount of the reduction may be equal to the  
24 monthly allowance payable but may not exceed the amount of  
25 the annual allowance payable under this part for the fiscal year in  
26 which the excess compensation was earned.

27 (h) The language of this section derived from the amendments  
28 to the section of this number added by Chapter 394 of the  
29 Statutes of 1995, enacted during the 1995–96 Regular Session, is  
30 deemed to have become operative on July 1, 1996.

31 (i) This section shall become operative on January 1, 2008.

32 SEC. 30. Section 24221 of the Education Code is amended to  
33 read:

34 24221. (a) A member who retires for service prior to January  
35 1, 2011, may elect, on a form prescribed by the system, to  
36 receive a lump-sum payment and an actuarially reduced monthly  
37 allowance pursuant to this section in lieu of the monthly  
38 unmodified allowance that would otherwise be payable to the  
39 member pursuant to this chapter. The election under this section

1 shall be made at the time the member files his or her application  
2 for service retirement allowance as provided in Section 24204.

3 (b) A member who makes the election described in  
4 subdivision (a) shall receive a one-time, lump-sum payment in an  
5 amount that equals or does not exceed the lesser of the following  
6 amounts:

7 (1) The actuarial present value of the amount by which (A) the  
8 monthly unmodified allowance payable to the member pursuant  
9 to this chapter exceeds (B) an amount equal to 2 percent of the  
10 member's final compensation multiplied by the number of years  
11 of credited service and divided by 12.

12 (2) Fifteen percent of the actuarial present value of the  
13 monthly unmodified allowance payable to the member under this  
14 chapter.

15 (c) Notwithstanding any other provision of this part, a member  
16 who makes the election described in subdivision (a) shall receive  
17 a monthly unmodified allowance, pursuant to this chapter, that  
18 shall be actuarially reduced to reflect the lump-sum amount paid  
19 under subdivision (b). The actuarial reduced unmodified  
20 allowance may be modified pursuant to Section 24300 or  
21 24300.1.

22 (d) A member may not apply a lump-sum payment made  
23 pursuant to this section for the purposes of redepositing  
24 previously refunded retirement contributions pursuant to Chapter  
25 19 (commencing with Section 23200) or purchasing service  
26 credit pursuant to Chapter 14 (commencing with Section 22800),  
27 Chapter 14.2 (commencing with Section 22820) or Chapter 14.5  
28 (commencing with Section 22850). The Legislature hereby finds  
29 and declares that if a member who elects to receive a partial  
30 lump-sum payment also elects to redeposit previously refunded  
31 retirement contributions or purchase service credit as a result of  
32 the receipt of the lump-sum payment, the Defined Benefit  
33 Program may experience a net actuarial impact.

34 (e) An election pursuant to subdivision (a) may have no net  
35 actuarial impact to the Defined Benefit Program. The board shall  
36 adopt present value factors to establish a corresponding  
37 actuarially reduced monthly allowance, that results in no net  
38 actuarial impact to the Defined Benefit Program. The Legislature  
39 reserves the right to modify the provisions of this section to  
40 further the objective of permitting eligible members to receive a



1 lump-sum distribution of a portion of their benefits, with a  
2 corresponding actuarial reduction in their monthly allowance, so  
3 that there is no net actuarial impact to the Defined Benefit  
4 Program.

5 SEC. 31. Section 24300 of the Education Code is amended to  
6 read:

7 24300. (a) A member may, prior to the effective date of the  
8 member's retirement, elect an option pursuant to this part that  
9 would provide an actuarially modified retirement allowance  
10 payable throughout the life of the member and the member's  
11 option beneficiary *or beneficiaries*, as follows:

12 (1) Option 2. The modified retirement allowance shall be  
13 paid to the retired member. Upon the retired member's death, an  
14 allowance equal to the modified amount that the retired member  
15 was receiving shall be paid to the option beneficiary.

16 (2) Option 3. The modified retirement allowance shall be  
17 paid to the retired member. Upon the retired member's death, an  
18 allowance equal to one-half of the modified amount that the  
19 retired member was receiving shall be paid to the option  
20 beneficiary.

21 (3) Option 4. The modified retirement allowance shall be  
22 paid to the retired member as long as both the retired member  
23 and the option beneficiary are living. Upon the death of either the  
24 retired member or the option beneficiary, an allowance equal to  
25 two-thirds of the modified amount that the retired member was  
26 receiving shall be paid to the surviving retired member or the  
27 surviving option beneficiary.

28 (4) Option 5. The modified retirement allowance shall be  
29 paid to the retired member as long as both the retired member  
30 and the option beneficiary are living. Upon the death of either the  
31 retired member or the option beneficiary, an allowance equal to  
32 one-half of the modified amount that the retired member was  
33 receiving shall be paid to the surviving retired member or  
34 surviving option beneficiary.

35 (5) Option 6. The modified retirement allowance shall be  
36 paid to the retired member and upon the retired member's death,  
37 an allowance equal to the modified amount that the retired  
38 member was receiving shall be paid to the option beneficiary.  
39 However, if the option beneficiary predeceases the retired  
40 member, the retirement allowance without modification for the

option shall be payable to the retired member. If the option beneficiary predeceases the retired member, the retired member may designate a new option beneficiary. The effective date of the new designation shall be six months following the date notification is received by the board, so long as both the retired member and the designated option beneficiary are then living. Notification shall be on a properly executed form for the new designation. The ~~selection~~ *designation* of the new option beneficiary under this subdivision is subject to an actuarial modification of the unmodified retirement allowance and shall not result in any additional liability to the fund. The new option beneficiary shall not be an existing option beneficiary.

(6) Option 7. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member. If the option beneficiary predeceases the retired member, the retired member may designate a new option beneficiary. The effective date of the new designation shall be six months following the date notification is received by the board, provided both the retired member and the designated option beneficiary are then living. Notification shall be on a properly executed form for the new designation. The ~~selection~~ *designation* of the new option beneficiary under this subdivision is subject to an actuarial modification of the unmodified retirement allowance and shall not result in any additional liability to the fund. The new option beneficiary shall not be an existing option beneficiary.

(7) Option 8. (A) Any member, prior to the effective date of the member's retirement, may designate multiple option beneficiaries. The member who has designated more than one option beneficiary shall ~~select~~ *elect* an option that the member is authorized to elect subject to subdivision (e) for each beneficiary designated that would provide an actuarially modified retirement allowance payable throughout the lives of the member and the member's option beneficiaries.

(B) The modified retirement allowance shall be paid to the retired member as long as the retired member and at least one of

1 the option beneficiaries are living. Upon the retired member's  
2 death, an allowance shall be paid to each surviving option  
3 beneficiary in accordance with the option elected respective to  
4 that beneficiary. However, if one or more of the option  
5 beneficiaries predeceases the retired member, the retired  
6 member's allowance shall be adjusted in accordance with the  
7 option elected for the deceased beneficiary. The member shall  
8 determine the percentage of the unmodified allowance that will  
9 be modified by the election of Option 2, Option 3, Option 4,  
10 Option 5, Option 6, or Option 7—~~under~~ *within* this option, the  
11 aggregate of which shall equal 100 percent of the member's  
12 unmodified allowance. The election of this option is subject to  
13 approval by the board.

14 (C) A member who is a party to an action for legal separation  
15 or dissolution of marriage and who is required by court order to  
16 designate a spouse or former spouse as an option beneficiary may  
17 designate his or her spouse or former spouse as a sole option  
18 beneficiary under subparagraphs (A) and (B). The member shall  
19 specify the option—~~selected~~ *elected* for the spouse or former  
20 spouse and the percentage of his or her unmodified allowance to  
21 be modified—~~under~~ *by* the option, consistent with the court order.  
22 The percentage of the member's unmodified allowance that is not  
23 modified—~~under~~ *by* the option shall remain an unmodified  
24 allowance payable to the member. The aggregate of the  
25 percentages specified for the option beneficiary and the  
26 member's remaining unmodified allowance, if any, shall equal  
27 100 percent.

28 (b) For purposes of this section, the member shall designate an  
29 option beneficiary on a form prescribed by the system, which  
30 shall be duly executed and filed with the system at the time of the  
31 member's retirement.

32 (c) A member may revoke or change an election of an option  
33 at any time prior to the effective date of the member's retirement  
34 under this part. A revocation or change of an option may not be  
35 made in derogation of a spouse's or former spouse's community  
36 property rights as specified in a court order.

37 (d) On or before July 1, 2004, the board shall evaluate the  
38 existing options and annuities provided pursuant to this section,  
39 Chapter 38 (commencing with Section 25000) of this part, and  
40 Part 14 (commencing with Section 26000) and adopt, as a plan

1 amendment, any appropriate changes to the options and annuities  
2 based on the needs of members, participants, and their  
3 beneficiaries, including, but not limited to, providing economic  
4 security for beneficiaries and reducing complexity in the  
5 ~~selection~~ *election* of options and annuities by members and  
6 participants. The changes to the options and annuities may have  
7 no net actuarial impact on the retirement fund, and the board may  
8 establish any eligibility criteria it deems necessary to prevent an  
9 adverse actuarial impact to the fund. The board shall designate  
10 the effective date of the plan amendment, which shall be at least  
11 18 months after the amendment is adopted by the board, and  
12 notwithstanding any other provision of this section, the options  
13 and annuities available to members and participants eligible to  
14 retire pursuant to this part and Part 14 (commencing with Section  
15 26000), after the effective date of the plan amendment made  
16 pursuant to this subdivision, shall reflect the changes adopted as  
17 a plan amendment pursuant to this subdivision.

18 (e) Any member or participant who retired and elected an  
19 option or a joint and survivor annuity, or who filed a  
20 preretirement election of an option prior to the effective date of  
21 the plan amendment made pursuant to subdivision (d), may elect  
22 to change to a different option or joint and survivor annuity, as  
23 modified by the board as a plan amendment pursuant to  
24 subdivision (d), if the member or participant meets all the criteria  
25 established by the board to prevent a change in an option or joint  
26 and survivor annuity from having an adverse actuarial impact on  
27 the retirement fund, including, but not limited to, the effective  
28 date of a new designation or limitations on any changes if a  
29 member or participant, as the case may be, or beneficiary, or  
30 both, is currently not living or afflicted with a known terminal  
31 illness. The member or participant shall designate the change  
32 during the six-month period that begins with the effective date of  
33 the plan amendment, on a form prescribed by the system. Any  
34 member changing an option election pursuant to this subdivision  
35 is not subject to the allowance reduction prescribed in Section  
36 24309 or 24310 as a result of the election. If a member or  
37 participant elects to change his or her option or joint and survivor  
38 annuity under this subdivision, the member or participant shall  
39 retain the same option beneficiary or beneficiaries as named in  
40 the prior designation.

1 (f) The Legislature reserves the right to modify this section  
2 prior to the effective date of the plan amendment made pursuant  
3 to subdivision (d) to prevent any actuarial impact to the fund.

4 (g) Except as described in subdivision (d) of Section 24300.1,  
5 on or after January 1, 2007, a member may not make a new  
6 election for an option or joint and survivor annuity described in  
7 subdivision (a).

8 (h) *Any member with a retirement effective on or after January*  
9 *1, 2007, shall elect an option from the options described in*  
10 *Section 24300.1. Any member making a new option election*  
11 *under the provisions of Section 24300.6, 24305.5, or 24306 shall*  
12 *elect an option from the options described in Section 24300.1 if*  
13 *the effective date of the new option election is on or after*  
14 *January 1, 2007.*

15 SEC. 32. Section 24300.1 is added to the Education Code, to  
16 read:

17 24300.1. (a) A member may, prior to the effective date of his  
18 or her retirement, elect an option pursuant to this part that would  
19 provide an actuarially modified retirement allowance payable  
20 throughout the life of the member and the member's option  
21 beneficiary *or beneficiaries*, as follows:

22 (1) One hundred percent beneficiary option. The modified  
23 retirement allowance shall be paid to the member and upon the  
24 member's death, 100 percent of the modified allowance shall  
25 continue to be paid to the option beneficiary.

26 (2) Seventy-five percent beneficiary option. The modified  
27 retirement allowance shall be paid to the member and upon the  
28 member's death, 75 percent of the modified allowance shall  
29 continue to be paid to the option beneficiary. Pursuant to Section  
30 401(a)(9) of the Internal Revenue Code, unless the option  
31 beneficiary is the member's spouse or former spouse who has  
32 been awarded a community property interest in the benefits of  
33 the member under this part, the member may not designate an  
34 option beneficiary under this option who is more than *exactly* 19  
35 ~~years-of-age~~ younger than the member.

36 (3) Fifty percent beneficiary option. The modified retirement  
37 allowance shall be paid to the member and upon the death of the  
38 member, 50 percent of the modified allowance shall continue to  
39 be paid to the option beneficiary.

(4) Compound option. The member may designate ~~one or more option beneficiaries~~ *multiple option beneficiaries or one or multiple option beneficiaries with a designated percentage to remain unmodified*. The member shall ~~select~~ *elect* an option as described in paragraph (1), (2), or (3) for each designated option beneficiary that would provide an actuarially modified retirement allowance payable throughout the lives of the member and the member's option *beneficiary or beneficiaries*.

(A) The modified retirement allowance shall be paid to the member as long as the member and at least one ~~of the option beneficiaries~~ *option beneficiary* is living. Upon the member's death, an allowance shall be paid to each surviving option beneficiary in accordance with the option elected respective to that *option* beneficiary. If ~~one or more of the option beneficiaries~~ *an option beneficiary* predeceases the member, the member's allowance shall be adjusted in accordance with the option elected for the deceased *option* beneficiary.

~~(B) A member may designate a single option beneficiary pursuant to the compound option and~~

(B) The member shall specify the percent of the unmodified allowance that will be modified by the election of ~~the~~ *each* option described in paragraph (1), (2), or (3) of this subdivision. The percent of the unmodified allowance ~~of the member~~ that is not modified ~~under the option~~ *by an option, if any*, shall be payable to the member. The sum of the percentages specified for the option beneficiary *or beneficiaries* and the member's remaining unmodified allowance, *if any*, shall equal 100 percent.

~~(C) A member may designate more than one option beneficiary pursuant to the compound option and shall specify the percent of the unmodified allowance that will be modified by the election of the options described in paragraph (1), (2), or (3); of this subdivision for each option beneficiary. The percent of the unmodified allowance of the member that is not modified under the options shall be payable to the member. The sum of the percentages specified for each option beneficiary and the member's remaining unmodified allowance shall equal 100 percent.~~

~~(D)~~

(C) The member's election of the Compound Option is subject to all of the following:

(i) Pursuant to Section 401(a)(9) of the Internal Revenue Code, if the member elects the 100 Percent Beneficiary Option through his or her Compound Option election, and unless the Code, unless the option beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an option beneficiary under this option who is 10 or more the 100 percent beneficiary option within this compound option who is more than exactly 10 years younger than the member.

(2)  
(ii) Pursuant to Section 401(a)(9) of the Internal Revenue Code, if the member elects the 75 Percent Beneficiary Option through his or her Compound Option election, and unless the Code, unless the option beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an option beneficiary under this the 75 percent beneficiary option within this compound option who is more than exactly 19 years of age younger than the member.

(b) If an option beneficiary designated pursuant to paragraphs (1) to (4) (3), inclusive, of subdivision (a) predeceases the member, that portion of the retirement allowance payable to the option beneficiary shall be paid to the member as a retirement allowance without modification for the option. If the option beneficiary predeceases the member, the member may designate a new option beneficiary for that portion of the retirement allowance payable to the prior option beneficiary. The effective date of the new designation shall be six months following the date of notification is received by the board, provided both the member and the designated option beneficiary are then living. Notification shall be on a properly executed form provided by the system. The designation of the new option beneficiary pursuant to this subdivision is subject to an actuarial modification of the unmodified retirement allowance and may not result in additional liability to the fund. The new option beneficiary cannot be an existing option beneficiary.

(c) Notwithstanding Section 297 or 299.2 of the Family Code, a spouse described in paragraph (2), (3), paragraphs (2) and (4) of subdivision (a) does not include the domestic partner of the

1 member, pursuant *to* Section 7 of Title 1 of the United States  
2 Code.

3 (d) If there is a determination of community property rights as  
4 described in Chapter 12 (commencing with Section 22650) of  
5 this part on or before December 31, 2006, the member may elect  
6 the option that is required by the judgment or court order.  
7 Nothing in this ~~section~~ *part* shall permit the member to change  
8 the option to the detriment of the community property interest of  
9 the nonmember spouse.

10 (e) The board may evaluate the existing options and annuities  
11 provided pursuant to this section, Chapter 38 (commencing with  
12 Section 25000) of this part, and Part 14 (commencing with  
13 Section 26000) and adopt, as a plan amendment, any appropriate  
14 changes to the options and annuities based on the needs of the  
15 members, participants, and their beneficiaries, including, but not  
16 limited to, providing economic security for beneficiaries and  
17 reducing the complexity of the options and annuities. The  
18 changes to the options and annuities may have no net actuarial  
19 impact on the retirement fund and the board may establish any  
20 eligibility criteria the board deems necessary to prevent an  
21 adverse actuarial impact to the fund. The board shall designate  
22 the effective date of the plan amendment, which shall be at least  
23 18 months after the amendment is adopted by the board, and  
24 notwithstanding any other provision of this section, the options  
25 and annuities available to members and participants eligible to  
26 retire pursuant to this part and Part 14 (commencing with Section  
27 26000), after the effective date of the plan amendment made  
28 pursuant to this subdivision, shall reflect the changes adopted as  
29 a plan amendment to this subdivision.

30 SEC. 33. Section 24300.2 is added to the Education Code, to  
31 read:

32 24300.2. (a) A member who retired and elected an option  
33 pursuant to Section 24300 may elect to change options, subject to  
34 all of the following:

35 (1) A member who elected Option 2 may elect *to change to*  
36 the 100 percent beneficiary option described in paragraph (1) or  
37 the 75 percent beneficiary option described in paragraph (2) of  
38 subdivision (a) of Section 24300.1.

39 (2) A member who elected Option 3, Option 4, or Option 5  
40 may elect *to change to* the 75 percent beneficiary option



1 described in paragraph (2) or the 50 percent beneficiary option  
2 described in paragraph (3) of subdivision (a) of Section 24300.1.

3 (3) A member who elected Option 6 or Option 7 may elect *to*  
4 *change to* the 75 percent beneficiary option described in  
5 paragraph (2) of subdivision (a) of Section 24300.1.

6 (4) A member who elected Option 8 may elect ~~the compound~~  
7 ~~option described in paragraph (4) of subdivision (a) of Section~~  
8 ~~24300.1 or an option described in paragraphs (1), (2), or (3) in~~  
9 ~~this subdivision.~~ *to have any designated percentage of their*  
10 *unmodified allowance changed in accordance with paragraph*  
11 *(1), (2), or (3).*

12 (5) The election ~~of~~ *by* a member under this section is made on  
13 or after January 1, 2007, and prior to July 1, 2007.

14 (6) The member designates the same beneficiary that was  
15 designated under the prior option ~~election of the member elected~~  
16 *by the member, if the option and beneficiary designation were*  
17 *effective on or before December 31, 2006.*

18 (7) ~~The member and the option beneficiary is~~ *are* not afflicted  
19 with a known terminal illness and the member declares, under  
20 penalty of perjury under the laws of this state, that to the best of  
21 his or her knowledge, *he or she and* the option beneficiary ~~is~~ *are*  
22 not afflicted with a known terminal illness.

23 (8) The option beneficiary has not predeceased the member as  
24 of the effective date of the change in the option ~~of~~ *by* the  
25 member.

26 (b) The change in the option ~~of~~ *by* the member shall be  
27 effective on the date the election is signed, provided that the  
28 election is on a properly executed form provided by the system  
29 and that election is received at the system's headquarters office  
30 as described in Section 22375 within 30 days after the date the  
31 election is signed.

32 (c) *After receipt of a member's election document, the system*  
33 *shall mail an acknowledgment notice to the member that sets*  
34 *forth the new option elected by the member.*

35 (d) *If the member and the option beneficiary are alive and not*  
36 *afflicted with a known terminal illness, a member may cancel the*  
37 *election to change options and elect to receive the benefit*  
38 *according to the preexisting option election. After cancellation,*  
39 *the member may elect to make a one-time change from the*  
40 *preexisting option to any other option provided by and subject to*

1 *the restrictions of paragraph (1), (2), (3), or (4) of subdivision*  
2 *(a). The cancellation or the cancellation and one-time change*  
3 *shall be made on a properly executed form provided by the*  
4 *system and shall be received at the system's headquarters office*  
5 *as described in Section 22375 no later than 30 calendar days*  
6 *following the date of mailing of the acknowledgment notice. If the*  
7 *member elects to make the one-time change provided by this*  
8 *subdivision, the change shall be effective as of the member's*  
9 *signature date on the initial election to change.*

10 *(e) If the system is unable to mail an acknowledgment notice*  
11 *to the member on or before June 1, 2007, or prior to the end of*  
12 *the election period, provided that the member and the option*  
13 *beneficiary are alive and not afflicted with a known terminal*  
14 *illness, the system shall allow a member to cancel the election to*  
15 *change options and elect to receive the benefit according to the*  
16 *preexisting option election. After cancellation, the member may*  
17 *elect to make a one-time change from the preexisting option to*  
18 *any other option provided by and subject to the restrictions of*  
19 *paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation*  
20 *or the cancellation and one-time change may be made after the*  
21 *end of the election period if it is made on a properly executed*  
22 *form provided by the system and is received at the system's*  
23 *headquarters office as described in Section 22375 no later than*  
24 *30 days following the date of the acknowledgment notice. If the*  
25 *member elects to make the one-time change provided by this*  
26 *subdivision, the change shall be effective as of the member's*  
27 *signature date on the initial election to change.*

28 *(f) If the member elects to change his or her option as*  
29 *described in subdivision (a), the retirement allowance of the*  
30 *member shall be modified in a manner determined by the board*  
31 *to prevent any additional liability to the plan.*

32 *(g) The member shall not change options in derogation of a*  
33 *spouse's or former spouse's community property rights as*  
34 *specified in a court order.*

35 SEC. 34. Section 24300.6 of the Education Code is amended  
36 to read:

37 24300.6. (a) Any retired member who was unmarried and not  
38 in a registered domestic partnership on the effective date of  
39 retirement who did not elect an option pursuant to Section 24300  
40 or 24300.1, and who thereafter marries or registers in a domestic

1 partnership, may, after the effective date of the member's  
2 retirement under this part, elect an option ~~described in paragraphs~~  
3 ~~(1) to (6), inclusive, of subdivision (a) of Section 24300, or an~~  
4 ~~option~~ described in paragraph (1), (2), or (3) of subdivision (a) of  
5 Section 24300.1, naming his or her new spouse or registered  
6 domestic partner as the option beneficiary, subject to all of the  
7 following:

8 (1) The retired member shall have been married or registered  
9 in a domestic partnership for at least one year prior to making the  
10 election of the option.

11 (2) The retired member shall notify the board, in writing on a  
12 properly executed form provided by the system, of the election of  
13 the option and the designation of the member's new spouse or  
14 registered domestic partner as the option beneficiary.

15 (3) The election of an option under this section is subject to  
16 approval by the board. A retired member may not elect a joint  
17 and survivor option that would result in any additional liability to  
18 the retirement fund. A retired member may not elect ~~Option 8~~  
19 ~~described in Section 24300~~ or the compound option described in  
20 paragraph (4) of subdivision (a) of Section 24300.1.

21 (4) The election shall be effective six months after the date the  
22 notification is received by the board, provided that both the  
23 retired member and the retired member's designated spouse or  
24 registered domestic partner are then living. *If the effective date of*  
25 *the new option election is on or after January 1, 2007, at the time*  
26 *of the new election the retired member shall elect an option from*  
27 *the options described in Section 24300.1.*

28 (b) The election of the option and designation of the option  
29 beneficiary under this section shall result in an actuarial  
30 modification of the member's retirement allowance that shall be  
31 payable through the life of the member and the member's new  
32 spouse or registered domestic partner. Modification of the  
33 member's retirement allowance pursuant to this section shall be  
34 based on the ages of the retired member and the retired member's  
35 new spouse or registered domestic partner as of the effective date  
36 of the election.

37 SEC. 35. Section 24301 of the Education Code is amended to  
38 read:

39 24301. (a) A member who has filed an application under this  
40 part for a disability retirement pursuant to Chapter 26

(commencing with Section 24100) may elect, as provided in Section 24300 or 24300.1 to receive an actuarially modified disability retirement allowance. After receipt of a disability retirement application from a member, the board shall mail an acknowledgment notice to the member. A 30-day period shall commence with the mailing of the acknowledgment, during which time the member may change the option election made on the disability retirement application.

(b) The option shall become effective on the effective date of the disability retirement allowance. The modification of the disability retirement allowance under the option elected shall be based on the ages of the retired member and the designated option beneficiary as of the effective date of the disability retirement. The modification shall be applicable only to the disability retirement allowance payable pursuant to subdivision (a) of Section 24106.

(c) The elected option may not be revoked or changed after the later of the effective date of the disability retirement allowance or 30 days after the mailing of the acknowledgment notice pursuant to this section.

(d) If a member dies prior to electing an unmodified allowance or an option, the death benefits shall be payable under Chapter 23 (commencing with Section 23850), regardless of whether the disability retirement application is or would have been approved.

SEC. 36. Section 24302 of the Education Code is amended to read:

24302. Upon termination of a service retirement allowance pursuant to Section 24208, any option elected pursuant to Section 24300 or 24300.1 and in effect at the time of reinstatement shall be considered to be a preretirement election of an option elected as of the effective date of that retirement and shall be subject to the same provisions as an option elected under Section 24307.

SEC. 37. Section 24303 of the Education Code is amended to read:

24303. Termination of the service retirement allowance pursuant to Section 24208 shall not cancel an option elected under the provisions of Section 24300, 24300.1, or 24307. The option elected shall remain in effect, unchanged, and shall be reapplied to the allowance payable upon the subsequent service retirement. The effective date of the option shall be considered

1 the effective date of the terminated service retirement allowance  
2 as described in Section 24302.

3 SEC. 38. Section 24305 of the Education Code is amended to  
4 read:

5 24305. (a) An option elected under Section 24300 or 24300.1  
6 may be canceled by a retired member if the option beneficiary is  
7 the retired member's spouse or former spouse and a final decree  
8 of dissolution of marriage or a judgment of nullity has been  
9 entered or an order of separate maintenance has been made on or  
10 after January 1, 1978, by a court of competent jurisdiction. A  
11 retired member may cancel the option before or after issuance of  
12 the first retirement allowance payment.

13 (b) The retired member shall notify the board in writing of  
14 cancellation of the option. Notification shall not be earlier than  
15 the effective date of the decree, judgment, or order and shall  
16 include a certified copy of the final decree of dissolution, or  
17 judgment of nullity, or an order of separate maintenance, and any  
18 property settlement agreement.

19 (c) Upon notification to the board, the retired member may  
20 elect (1) to receive the unmodified retirement allowance from the  
21 date of receipt of the notification; or (2) a new joint and survivor  
22 option under Section 24300.1 and may designate ~~a one or~~  
23 ~~multiple new option beneficiary~~ *beneficiaries*. Modification of  
24 the retirement allowance because of the newly elected option or  
25 newly designated beneficiary *or beneficiaries* shall be based on  
26 the ages of the retired member and the new option beneficiary *or*  
27 *beneficiaries* as of the effective date of the new option. The  
28 election of a new joint and survivor option or the designation of a  
29 new option beneficiary *or beneficiaries* shall be consistent with  
30 the final decree of dissolution, judgment of nullity, order of  
31 separate maintenance, or property settlement agreement, and  
32 shall not result in any additional liability to the Teachers'  
33 Retirement Fund. The effective date of the change shall be the  
34 date notification is received by the board.

35 SEC. 39. Section 24305.3 of the Education Code, as added by  
36 Section 39 of Chapter 1021 of the Statutes of 2000, is amended  
37 to read:

38 24305.3. (a) A member who is receiving a joint and survivor  
39 annuity under the Defined Benefit Supplement Program may  
40 change the annuity or the annuity beneficiary elected pursuant to

1 Section 25011, 25011.1, 25018, or 25018.1, provided all of the  
2 following conditions are met:

3 (1) The annuity beneficiary is the member's spouse or former  
4 spouse.

5 (2) A final decree of dissolution of marriage is granted, or a  
6 judgment of nullity is entered, or an order of separate  
7 maintenance is made by a court of competent jurisdiction with  
8 respect to the member and the spouse or former spouse on or  
9 after the beginning of the initial plan year designated by the  
10 board pursuant to Section 22156.05.

11 (3) The change is consistent with the final decree of  
12 dissolution, judgment of nullity, or order of separate  
13 maintenance.

14 (b) A member may change the annuity pursuant to subdivision  
15 (a) before or after the first annuity payment is issued.

16 (c) The member shall notify the system in writing of the  
17 change in the annuity. The notification shall not be earlier than  
18 the effective date of the final decree of dissolution, judgment of  
19 nullity, or order of separate maintenance and shall include a  
20 certified copy of the final decree of dissolution, judgment of  
21 nullity, or order of separate maintenance, and any property  
22 settlement agreement.

23 (d) A change in the annuity or annuity beneficiary or both  
24 shall become effective on the date the notification of change is  
25 received by the system. The annuity amount payable to the  
26 member upon the change elected by the member shall be  
27 determined as of the effective date of the change and shall be the  
28 actuarial equivalent of the lump sum that would otherwise be  
29 payable to the member as of the date of the change. If the  
30 member elects a joint and survivor annuity, the amount payable  
31 under the annuity shall be modified consistent with the annuity  
32 elected by the member.

33 SEC. 40. Section 24305.5 of the Education Code is amended  
34 to read:

35 24305.5. (a) An option elected under Section 24300 or  
36 24300.1 may be canceled by a retired member if the option  
37 beneficiary is not the retired member's spouse or former spouse.  
38 A retired member may cancel the option before or after issuance  
39 of the first retirement allowance payment and shall designate his  
40 or her spouse as the new option beneficiary and the same or a

1 different joint and survivor option described in Section ~~24300 or~~  
2 24300.1.

3 (b) The retired member shall notify the board, in writing on a  
4 properly executed form provided by the system, of the  
5 designation of the new option beneficiary. Notification shall  
6 include a certified copy of the marriage certificate and a properly  
7 executed form for the change.

8 (c) The effective date of the new election shall be six months  
9 following the date notification is received by the board, provided  
10 both the retired member and the new designated option  
11 beneficiary are then living. *If the effective date of the new option*  
12 *election is on or after January 1, 2007, at the time of the new*  
13 *election the retired member shall elect an option from the options*  
14 *described in Section 24300.1.*

15 ~~(d) The selection of the new option beneficiary and the new~~  
16 ~~option~~

17 *(d) The election of the option and designation of the option*  
18 *beneficiaries* under this section and Section ~~24300 or~~ 24300.1  
19 shall be subject to ~~a further~~ *an* actuarial modification of the  
20 ~~modified~~ retirement allowance. In no event may a retired  
21 member elect a joint and survivor option that would result in any  
22 additional liability to the fund. A retired member may not elect  
23 ~~Option 8 described in Section 24300 or~~ the compound option  
24 described in paragraph (4) of subdivision (a) of Section 24300.1.  
25 Modification of the retirement allowance because of the new  
26 option beneficiary and the new option shall be based on the ages  
27 of the retired member and the new option beneficiary as of the  
28 effective date of the new election.

29 SEC. 41. Section 24306 of the Education Code is amended to  
30 read:

31 24306. (a) (1) If an option beneficiary designated in the  
32 election of an Option 2, Option 3, Option 4, or Option 5 *as*  
33 *described in Section 24300* predeceases the retired member, the  
34 retired member may elect a new joint and survivor option  
35 described in paragraphs (1) to (4), inclusive, of subdivision (a) of  
36 Section 24300.1 and designate ~~a new option beneficiary~~ *one or*  
37 *multiple new option beneficiaries.*

38 (2) If an option beneficiary designated in the election of  
39 Option 2, Option 3, Option 4, or Option 5 ~~described in~~ *within*  
40 Option 8, predeceases the member, the member may elect a new

1 joint and survivor option described in paragraph (1), (2), or (3) of  
2 subdivision (a) of Section 24300.1 and designate a new option  
3 beneficiary for the portion ~~that was payable to of the retirement~~  
4 *allowance that was modified for the prior option beneficiary*. The  
5 member may not elect the compound option described in  
6 paragraph (4) of subdivision (a) of Section 24300.1.

7 (3) The effective date of the change shall be six months  
8 following the date notification is received by the board, provided  
9 both the retired member and the designated option beneficiary  
10 are then living. Notification shall include proof of death of the  
11 predeceased beneficiary and a properly executed form provided  
12 by the system. *If the effective date of the new option election is*  
13 *on or after January 1, 2007, at the time of the new election the*  
14 *retired member shall elect an option from the options described*  
15 *in Section 24300.1.*

16 (4) The election of the new joint and survivor option under  
17 this subdivision and Section 24300.1 is subject to ~~a further an~~  
18 actuarial modification of the ~~modified~~ retirement allowance. In  
19 no event may a retired member elect a joint and survivor option  
20 that would result in any additional liability to the fund.

21 (b) If an option beneficiary designated in the election of an  
22 Option 6 or Option 7 or in the election of Option 6 or Option 7  
23 ~~under within~~ Option 8, pursuant to Section 24300 ~~or 24307~~  
24 predeceases the retired member, that portion of the retirement  
25 allowance attributable to Option 6 or Option 7 without  
26 modification for the option shall be payable to the retired  
27 member upon notification to the board and shall commence to  
28 accrue to the retired member as of the day following the date of  
29 the death of the option beneficiary. Notification to the board shall  
30 include proof of death of the beneficiary ~~and a properly executed~~  
31 ~~form provided by the system.~~

32 ~~(c) If a designated option beneficiary in an option election~~  
33 ~~pursuant to~~

34 (c) *If an option beneficiary designated in the election of an*  
35 *option pursuant to paragraphs (1) to (4) (3), inclusive, of*  
36 *subdivision (a) of Section 24300.1 or Section 24307 predeceases*  
37 *the member, that portion of the retirement allowance attributable*  
38 *to the option without modification for the option elected shall be*  
39 *payable to the member. The member shall notify the board on a*  
40 *properly executed form provided by the system of the death of*



~~the option beneficiary and provide proof of death of that option beneficiary. The payment of the retirement allowance without modification shall be effective as of the day following the date of death of the option beneficiary. upon notification to the board and shall commence to accrue to the retired member as of the day following the date of the death of the option beneficiary. Notification to the board shall include proof of death of the beneficiary.~~

SEC. 42. Section 24306.7 of the Education Code is amended to read:

24306.7. (a) Any member who retired for service under Option 4 or Option 5 with an effective date prior to January 1, 1991, may elect to change Option 4 to Option 6 or Option 5 to Option 7 if all of the following conditions are met:

(1) The election is made during the three-month period commencing January 1, 1999, and ending March 31, 1999.

(2) The same beneficiary under Option 4 or Option 5 is named as beneficiary under Option 6 or Option 7.

(3) The change in options is consistent with Sections 22453 and 24305.

(4) The option beneficiary is not afflicted with any known terminal illness.

(5) The option beneficiary has not predeceased the retired member as of the effective date of the change in option.

(6) The election to change the option under this section is received at the system's headquarters office as described in Section 22375 at least 30 days prior to the death of the option beneficiary.

(b) Failure to satisfy all of the conditions in subdivision (a) shall render the change of election invalid.

(c) The change in options under this section shall be effective on the date the election is signed, provided all the conditions set forth in subdivision (a) are satisfied and the election is received at the system's headquarters office, as established pursuant to Section 22375, within 30 days after the date of the signature.

(d) ~~The selection~~ *election* of a new joint and survivor option under this section is subject to a further modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund.

SEC. 43. Section 24307 of the Education Code is amended to read:

24307. (a) A member who qualifies to apply for retirement under Section 24201 or 24203 may make a preretirement election of an option, as provided in Section ~~24300 or 24300.1~~ without right of revocation or change after the effective date of retirement, except as provided in this part. The preretirement election of an option shall become effective as of the date of the member's signature on a properly executed form prescribed by the system, subject to the following requirements:

(1) The form includes the signature of the member's spouse or registered domestic partner, if applicable, the signature is dated, and the date of the signature is within 30 days of the member's signature.

(2) The date the form is received at the system's headquarters office, as established pursuant to Section 22375, is within 30 days of the date of the member's signature and within 30 days of the date of the spouse or registered domestic partner's signature, if applicable.

(b) A member who makes a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 pursuant to Section 24300, or an election as described in paragraph (1), (2), or (3) of Section 24300.1 may subsequently make a preretirement election of the compound option described in paragraph (4) of subdivision (a) of Section 24300.1. The member may retain the same option and the same option beneficiary as named in the prior preretirement election, ~~as an option under Option 8 for a designated percentage within the compound option.~~

(c) Upon the member's death prior to the effective date of retirement, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, under the assumption that the member retired for service pursuant to Chapter 27 (commencing with Section 24201) on the date of death. The payment of the allowance to the option beneficiary shall be in lieu of the family allowance provided in Section 23804, the payment provided in paragraph (1) of subdivision (a) of Section 23802, the survivor benefit allowance provided in Section 23854, and the payment provided in subdivisions (a) and (b) of Section 23852, except that if the

1 beneficiary dies before all of the member's accumulated  
2 retirement contributions are paid, the balance, if any, shall be  
3 paid to the estate of the person last receiving or entitled to  
4 receive the allowance. The accumulated annuity deposit  
5 contributions and the death payment provided in Sections 23801  
6 and 23851 shall be paid to the beneficiary in a lump sum.

7 (d) If the member subsequently retires for service, and the  
8 elected option has not been canceled pursuant to Section 24309,  
9 a modified service retirement allowance computed under Section  
10 24300 or 24300.1 and the option elected shall be paid.

11 (e) The amount of the service retirement allowance prior to  
12 applying the option factor shall be calculated as of the earlier of  
13 the member's age at death before retirement or age on the last  
14 day of the month in which the member requested service  
15 retirement be effective. The modification of the service  
16 retirement allowance ~~under~~ by the option elected shall be based  
17 on the ages of the member and the beneficiary designated under  
18 the option, as of the date the election was signed.

19 (f) A member who terminates the service retirement allowance  
20 pursuant to Section 24208 shall not be eligible to file a  
21 preretirement election of an option until one calendar year  
22 elapses from the date the allowance is terminated.

23 (g) The system shall inform members who are qualified to  
24 make a preretirement election of an option, through the annual  
25 statements of account, that the election of an option can be made.

26 SEC. 44. Section 24309 of the Education Code is amended to  
27 read:

28 24309. (a) A member may cancel the election of an option  
29 made pursuant to Section 24307, providing cancellation is on a  
30 properly executed form provided by the system and received by  
31 the board on or before the day preceding the effective date of  
32 retirement under this part or during the period between  
33 termination of the retirement allowance pursuant to Section  
34 24208 or 24117 and the effective date of the subsequent  
35 retirement under this part. Regardless of how the member elects  
36 to receive his or her retirement allowance, that allowance shall be  
37 reduced by an amount determined by the board to be the actuarial  
38 equivalent of the coverage the member received as a result of the  
39 preretirement election and that does not result in any adverse  
40 funding to the plan.

(b) If the option beneficiary designated in the preretirement election of an option pursuant to Section 24307 dies prior to the member's retirement, the preretirement election shall be canceled as of the day following the date of death and the member's subsequent retirement allowance under this part shall be subject to the allowance reduction prescribed in this section.

(c) If the option elected pursuant to Section 24307 is *Option 8 as described in paragraph (7) of subdivision (a) of Section 24300* or the compound option as described in paragraph (4) of subdivision (a) of Section 24300.1, a member may cancel the designation of an option beneficiary. If the member cancels the designation of the option beneficiary or the option beneficiary predeceases the member prior to the member's retirement, the member may elect to receive ~~a that portion of the~~ retirement allowance without modification for the option or elect ~~a one or multiple~~ new or existing option ~~beneficiary~~ *beneficiaries* as described in Section 24307 for the portion that was payable to the ~~prior option beneficiary~~ *in Section 24307*.

SEC. 45. Section 24312.1 is added to the Education Code, to read:

24312.1. (a) A member who has a preretirement election of an option in effect on December 31, 2006, pursuant to paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300 may change his or her preretirement election to an option described in paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1 without the allowance reduction described in Sections 24309 and 24310, provided the change is made on or after January 1, 2007, and prior to July 1, 2007.

(b) A member who ~~elects a preretirement Option 8~~ *has a preretirement election of Option 8 as described in Section 24300 in effect on December 31, 2006*, and in that Option 8 election ~~elects~~ *has* an option pursuant to paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300, may change any of the options under paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300 to an option described in paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1 *without the allowance reduction described in Sections 24309 and 24310, if change is made on or after January 1, 2007, and prior to July 1, 2007*. A member may not change the portion of the unmodified benefit that would be modified pursuant to that prior option.

1 (c) The election to change the option—~~of~~ by a member as  
2 described in this section shall be subject to all of the following:

3 (1) The member may not change the option beneficiary that  
4 was designated in the prior preretirement option election.

5 (2) The change in options under this section shall be effective  
6 on the date the election is signed, provided that the election is *on*  
7 *a properly executed form provided by the system and* received at  
8 the system's headquarters office, as described in Section 22375,  
9 within 30 days of the date of the signature.

10 (d) If the member elects to change options as described in this  
11 section, the age of the member and the option beneficiary on the  
12 effective date of the prior preretirement option election shall be  
13 the age used to calculate the member's benefit at the time of  
14 retirement.

15 SEC. 46. Section 24402 of the Education Code is amended to  
16 read:

17 24402. (a) Service retirement allowances, disability  
18 allowances, disability retirement allowances, family allowances,  
19 and survivor benefit allowances payable pursuant to this part  
20 shall be increased by application of the benefit improvement  
21 factor.

22 (b) Allowances payable to beneficiaries on account of options  
23 elected under Section 24300, 24300.1, 24301, or 24307 shall be  
24 increased by application of the improvement factor. This factor  
25 shall be applicable on the same date when it would have been  
26 applied to the allowance of the deceased person.

27 (c) The benefit improvement factor shall not be applied to an  
28 annuity that is the actuarial equivalent of the accumulated  
29 annuity deposit contributions standing to the credit of the  
30 member's account on the effective date of a service or disability  
31 retirement.

32 SEC. 47. Section 24703 of the Education Code is amended to  
33 read:

34 24703. Persons who select to be covered only by the Defined  
35 Benefit Program and already have credit for classified or other  
36 noncertificated service in the San Francisco system shall not have  
37 that credit transferred to the Defined Benefit Program.

38 SEC. 48. Section 24704 of the Education Code is amended to  
39 read:

1     24704. The San Francisco Employees' Retirement System  
2 shall provide concurrent retirement benefits for classified and  
3 other noncertificated service in the San Francisco system  
4 according to the provisions applicable to miscellaneous  
5 employees of the time of the concurrent retirement for:

6     (a) Members of that system who transfer to the Defined  
7 Benefit Program after June 30, 1972.

8     (b) Persons who were members of both the San Francisco  
9 system and the Defined Benefit Program on June 30, 1972.

10    (c) A person who could have qualified under subdivision (b) if  
11 he or she had not taken a refund from either the San Francisco  
12 system or the Defined Benefit Program, but not both, provided  
13 the person qualifies for and redeposits prior to retirement.

14    SEC. 49. Section 24705 of the Education Code is amended to  
15 read:

16    24705. Notwithstanding the provisions in Section 24201, a  
17 member of the San Francisco system may retire concurrently and  
18 receive credit for service performed in other states of the United  
19 States, its territories and possessions, and in Canada.

20    SEC. 49.5. *Section 24976 of the Education Code is amended*  
21 *to read:*

22    24976. (a) (1) The Teachers' Deferred Compensation Fund  
23 is hereby established to serve as the repository of funds ~~for the~~  
24 ~~deferred compensation plans administered~~ *received* by the system  
25 pursuant to this chapter. ~~Notwithstanding, Chapter 36~~  
26 ~~(commencing with Section 24950) or Chapter 39 (commencing~~  
27 ~~with Section 25100).~~

28    (2) *Premium and fee revenues received by the system pursuant*  
29 *to Chapter 36 (commencing with Section 24950) shall be*  
30 *deposited into the 403(b) Services Operating Account within the*  
31 *Teachers' Deferred Compensation Fund, and shall only be used*  
32 *to carry out the purposes of that chapter.*

33    (3) *Premium and fee revenues received by the system pursuant*  
34 *to this chapter shall be deposited into the Deferred*  
35 *Compensation Services Operating Account within the Teachers'*  
36 *Deferred Compensation Fund, and shall only be used to carry*  
37 *out the purposes of this chapter.*

38    (4) *Compensation deferrals received by the system pursuant to*  
39 *this chapter shall be deposited into the Deferred Compensation*  
40 *Investment Account within the Teachers' Deferred Compensation*

1 *Fund, and shall only be used to carry out the purposes of this*  
2 *chapter.*

3 (5) *Fee revenues received by the system pursuant to Chapter*  
4 *39 (commencing with Section 25100) shall be deposited into the*  
5 *403(b) Vendor Registry Operating Account within the Teachers'*  
6 *Deferred Compensation Fund, and shall only be used to carry*  
7 *out the purposes of that chapter.*

8 (6) *Notwithstanding Section 13340 of the Government Code,*  
9 *all moneys in the Teachers' Deferred Compensation Fund shall*  
10 *be continuously appropriated without regard to fiscal year to*  
11 *carry out the purposes of this chapter, Chapter 36 (commencing*  
12 *with Section 24950), and Chapter 39 (commencing with Section*  
13 *25100).*

14 (b) *With respect to deferred compensation plans administered*  
15 *pursuant to this chapter, and notwithstanding any other provision*  
16 *of law, the system may retain a bank or trust company, or a credit*  
17 *union, to serve as custodian of the moneys of the Teachers'*  
18 *Deferred Compensation Fund and to provide for safekeeping,*  
19 *recordkeeping, delivery, securities valuation, or investment*  
20 *performance reporting services, or services in connection with*  
21 *investment of the Teachers' Deferred Compensation Fund.*

22 ~~(b) The~~

23 (c) *With respect to deferred compensation plans administered*  
24 *pursuant to this chapter, the Teachers' Deferred Compensation*  
25 *Fund shall consist of the following sources and receipts, and*  
26 *disbursements shall be accounted for as set forth below:*

27 (1) *Premiums determined by the system and paid by*  
28 *participating employers and employees for the cost of*  
29 *administering the deferred compensation plan.*

30 (2) *Asset management fees as determined by the system*  
31 *assessed against investment earnings of investment option or of*  
32 *other investment funds. These fees shall be disclosed to*  
33 *employees participating in the deferred compensation plan.*

34 (3) *Compensation deferrals to be paid in monthly installments*  
35 *by employers sponsoring deferred compensation plans described*  
36 *in Section 24975 for investment by the system. The moneys shall*  
37 *be deposited in the investment corpus account within the*  
38 *Teachers' Deferred Compensation Fund and invested in*  
39 *accordance with the investment options selected by the*  
40 *participating employee.*

1     ~~(4) All moneys in the Teachers' Deferred Compensation Fund~~  
2     ~~for disbursement to participating employees shall be~~  
3     ~~continuously appropriated without regard to fiscal year.~~

4     Disbursements to participating employees shall be paid from a  
5     disbursement account within the Teachers' Deferred  
6     Compensation Fund in accordance with applicable federal law  
7     pertaining to deferred compensation plans.

8     (5) Income, of whatever nature, earned on the Teachers'  
9     Deferred Compensation Fund shall be credited to the appropriate  
10    account. The accounts of participating employees of the  
11    employer shall be individually posted to reflect amounts of  
12    compensation deferred and investment gains and losses. A  
13    periodic statement shall be given to each participating employee.

14    (6) The system shall have exclusive control of the  
15    administration and investment of the Teachers' Deferred  
16    Compensation Fund.

17    (7) All of the system's costs of administering the deferred  
18    compensation plans *pursuant to this chapter* shall be recovered  
19    from the employees who participate in the plans or assets of the  
20    Teachers' Deferred Compensation Fund in a manner acceptable  
21    to the board.

22    SEC. 50. Section 25009 of the Education Code is amended to  
23    read:

24    25009. (a) A member's retirement benefit under the Defined  
25    Benefit Supplement Program shall be an amount equal to the  
26    balance of credits in the member's Defined Benefit Supplement  
27    account on the date the retirement benefit becomes payable.

28    (b) A retirement benefit shall be a lump-sum payment, or an  
29    annuity payable in monthly installments, or a combination of  
30    both a lump-sum payment and an annuity, as elected by the  
31    member on the application for a retirement benefit. Any  
32    retirement benefit paid as an annuity under this chapter shall be  
33    subject to Section 25011 or 25011.1.

34    (c) Upon distribution of the entire retirement benefit in a  
35    lump-sum payment, no other benefit shall be payable to the  
36    member or the member's beneficiary under the Defined Benefit  
37    Supplement Program.

38    SEC. 51. Section 25011 of the Education Code is amended to  
39    read:



25011. (a) A member or nonmember spouse may elect to receive the retirement benefit as an annuity payable in monthly installments, provided the balance of credits in the member's or nonmember spouse's respective Defined Benefit Supplement account on the date the retirement benefit becomes payable equals at least three thousand five hundred dollars (\$3,500) after any lump-sum payments have been made from the account.

(b) If the member elects to receive the retirement benefit as an annuity, the member shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, no other benefit shall be payable to the member's beneficiary under the Defined Benefit Supplement Program.

(2) A single life annuity with a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, an amount equal to the remaining balance, if any, of credits transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve shall be returned in a lump-sum payment to the member's beneficiary.

(3) A 100-percent joint and survivor annuity with a "pop-up" feature. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, the same monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. However, if the annuity beneficiary predeceases the member, the annuity payable to the member shall be the single life annuity with a cash refund feature that would have been payable had the member ~~selected~~ *elected* that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the member, ~~the member may designate a~~ *and the member designates a new option beneficiary pursuant*

1 to Section 24300, the new option beneficiary shall be the new  
2 annuity beneficiary. The effective date ~~of the new designation~~  
3 shall be six months following the date notification, on a properly  
4 executed form, is received by the board, provided both the  
5 member and the new ~~designated~~ annuity beneficiary are then  
6 living. ~~The selection of the new annuity beneficiary under this~~  
7 paragraph is subject to an actuarial modification of the single life  
8 annuity with a cash refund feature and may not result in any  
9 additional liability to the fund. The new annuity beneficiary may  
10 not be an existing *annuity* beneficiary.

11 (4) A 50-percent joint and survivor annuity with a “pop-up”  
12 feature. This form of payment is the actuarial equivalent of the  
13 lump-sum payment modified to be payable over the combined  
14 lives of the member and the member’s annuity beneficiary. Upon  
15 the death of the member, one-half of the monthly amount that  
16 was payable to the member shall be paid monthly to the  
17 member’s surviving annuity beneficiary. However, if the annuity  
18 beneficiary predeceases the member, the annuity payable to the  
19 member shall be the single life annuity with a cash refund feature  
20 that would have been payable had the member ~~selected~~ *elected*  
21 that form of payment at the commencement of the benefit. That  
22 single life annuity shall be payable as of the day following the  
23 date of the annuity beneficiary’s death upon receipt by the  
24 system of proof of the annuity beneficiary’s death. If the annuity  
25 beneficiary predeceases the member, ~~the member may designate~~  
26 *a and the member designates a new option beneficiary pursuant*  
27 *to Section 24300, the new option beneficiary shall be the new*  
28 *annuity beneficiary.* The effective date ~~of the new designation~~  
29 shall be six months following the date notification, on a properly  
30 executed form, is received by the board, provided both the  
31 member and the new ~~designated~~ annuity beneficiary are then  
32 living. ~~The selection of the new annuity beneficiary under this~~  
33 paragraph is subject to an actuarial modification of the single life  
34 annuity with a cash refund feature and may not result in any  
35 additional liability to the fund. The new annuity beneficiary may  
36 not be an existing annuity beneficiary.

37 (5) A period certain annuity. This form of payment is an  
38 annuity equal to the actuarial equivalent of the balance of credits  
39 in the member’s Defined Benefit Supplement account on the date  
40 the retirement benefit becomes payable. The annuity shall be

1 payable in whole year increments over a period of years specified  
2 by the member, from a minimum of three years to a maximum of  
3 10 years. However, the annuity period may not exceed the life  
4 expectancy of the member, or the life expectancy of the member  
5 and the member's annuity beneficiary. If the member's death  
6 occurs prior to the end of the period certain, the remaining  
7 balance of payments shall be paid to the member's annuity  
8 beneficiary pursuant to Section 25022.

9 (c) If a nonmember spouse elects to receive the retirement  
10 benefit as an annuity, the nonmember spouse shall elect the form  
11 of payment specified in paragraph (1), (2), or (5) of subdivision  
12 (b) and, in those paragraphs, references to a "member" shall  
13 apply to the nonmember spouse.

14 (d) On or after January 1, 2007, a member may not make a  
15 new election ~~for an option or of a joint and survivor annuity~~  
16 described in subdivision ~~(a)~~ (b), *except as provided by*  
17 *subdivision (e) of Section 25011.1.*

18 (e) *Any member with a retirement effective on or after January*  
19 *1, 2007, shall elect an annuity from the annuities described in*  
20 *Section 25011.1.*

21 SEC. 52. Section 25011.1 is added to the Education Code, to  
22 read:

23 25011.1. (a) A member may elect to receive the retirement  
24 benefit as an annuity payable in monthly installments, provided  
25 the balance of credits in the member's Defined Benefit  
26 Supplement account on the date the retirement benefit becomes  
27 payable equals at least three thousand five hundred dollars  
28 (\$3,500) after any lump-sum payments have been made from the  
29 account. If the member elects to receive the retirement benefit as  
30 an annuity, the member shall elect one of the following forms of  
31 payments:

32 (1) Member only annuity. This is a single life annuity with a  
33 cash refund feature that is the actuarial equivalent of the amount  
34 that would be payable to the retired member if the member  
35 elected to receive the retirement benefit in a lump-sum payment.  
36 Upon the death of the member, an amount equal to the remaining  
37 balance of credits, *if any*, transferred from the member's Defined  
38 Benefit Supplement account to the annuitant reserve shall be  
39 returned in a lump-sum payment to the beneficiary of the  
40 member.

(2) One hundred percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary *or beneficiaries*. Upon the death of the member, 100 percent of the monthly amount that was payable to the member shall be paid monthly to the surviving annuity beneficiary *or beneficiaries* of the member.

(3) Seventy-five percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Pursuant to Section 401(a)(9) of the Internal Revenue Code, ~~unless the option beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an option beneficiary under this option who is more than 19 years of age younger than the member~~ *the member shall not elect this annuity if a beneficiary is more than exactly 19 years younger than the member, unless the beneficiary is the member's spouse or former spouse and the election is pursuant to a determination of community property rights*. Upon the death of the member, 75 percent of the monthly amount that was payable to the member shall be paid monthly to the surviving annuity beneficiary *or beneficiaries* of the member.

(4) Fifty percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary *or beneficiaries*. Upon the death of the member, 50 percent of the monthly amount that was payable to the member shall be paid monthly to the surviving annuity beneficiary *or beneficiaries* of the member.

~~(5) Compound annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and any annuity beneficiary pursuant to Section 25015. The member's benefit will be distributed to each annuity beneficiary pursuant to paragraphs (1) to (4), inclusive, of this subdivision for the designated portion as described in Section 24300, 24300.1, or 24301.~~

1 (A) The member's election of the compound annuity is subject  
2 to all of the following:

3 (i) Pursuant to Section 401(a)(9) of the Internal Revenue  
4 Code, if the member elects the 100 percent beneficiary annuity  
5 through his or her compound annuity election, and unless the  
6 annuity beneficiary is the member's spouse or former spouse  
7 who has been awarded a community property interest in the  
8 member's benefits under this part, the member may not designate  
9 an annuity beneficiary under this annuity who is more than 10 or  
10 more years of age younger than the member.

11 (ii) Pursuant to Section 401(a)(9) of the Internal Revenue  
12 Code, if the member elects the 75 percent beneficiary annuity  
13 through his or her compound annuity election, and unless the  
14 annuity beneficiary is the member's spouse or former spouse  
15 who has been awarded a community property interest in the  
16 member's benefits under this part, the member may not designate  
17 an annuity beneficiary under this annuity who is more than 19  
18 years of age younger than the member.

19 (6)

20 (5) A period certain annuity. This form of payment is an  
21 annuity equal to the actuarial equivalent of the balance of credits  
22 in the member's Defined Benefit Supplement account on the date  
23 the retirement benefit becomes payable. The annuity shall be  
24 payable in whole year increments over a period of years specified  
25 by the member, from a minimum of three years to a maximum of  
26 10 years. However, the annuity period may not exceed the life  
27 expectancy of the member, or the life expectancy of the member  
28 and the member's annuity beneficiary. If the member's death  
29 occurs prior to the end of the period certain, the remaining  
30 balance of payments shall be paid to the member's annuity  
31 beneficiary pursuant to Section 25022.

32 (b) If an annuity beneficiary designated pursuant to paragraph  
33 (2), (3), ~~(4), or (5)~~ or (4) of subdivision (a) predeceases the  
34 member, ~~that portion of the annuity payable to the annuity~~  
35 ~~beneficiary~~ *the annuity* shall be paid to the member as a single  
36 ~~life annuity with a cash refund feature~~ *the member only annuity*  
37 that would have been payable had the member ~~selected~~ *elected*  
38 that form of payment at the commencement of the benefit. That  
39 ~~single life member only~~ *member only* annuity shall be payable as of the day  
40 following the date of the annuity beneficiary's death upon receipt

1 by the system of proof of the annuity beneficiary's death. If the  
2 annuity beneficiary predeceases the member, ~~the member may~~  
3 ~~designate a new annuity beneficiary for the portion that was~~  
4 ~~payable to the prior~~ *and the member designates a new option*  
5 *beneficiary pursuant to Section 24300.1, the new option*  
6 *beneficiary shall be the new annuity beneficiary.* The effective  
7 ~~date of the new designation~~ shall be six months following the  
8 date notification is received by the board, provided both the  
9 member and the new ~~designated~~ annuity beneficiary are then  
10 living. Notice to the board of the death of the annuity beneficiary  
11 shall be on a properly executed form provided by the system. The  
12 ~~designation of the new annuity beneficiary under this paragraph~~  
13 *is subject to an actuarial modification of the member only annuity*  
14 *and may not result in any additional liability to the fund. The new*  
15 *annuity beneficiary may not be an existing annuity beneficiary.*

16 (c) If a nonmember spouse elects to receive the retirement  
17 benefit as an annuity, the nonmember spouse shall elect the form  
18 of payment specified in paragraph (1) or (6) of subdivision (a)  
19 and, in those paragraphs, references to a "member" shall apply to  
20 the nonmember spouse.

21 (d) Notwithstanding ~~Sections~~ *Section 297 or 299.2* of the  
22 Family Code, a spouse as described in paragraph (3) or (5) of  
23 subdivision (a) does not include the domestic partner of the  
24 member, pursuant to Section 7 of Title 1 of the United States  
25 Code.

26 (e) If there is a determination of community property rights as  
27 described in Chapter 12 (commencing with Section 22650) of  
28 this part on or before December 31, 2006, the member may elect  
29 the annuity that is required by the judgment or court order.  
30 Nothing in this ~~section~~ *part* shall permit the member to change  
31 the annuity to the detriment of the community property interest  
32 of the nonmember spouse.

33 SEC. 53. Section 25011.5 is added to the Education Code, to  
34 read:

35 25011.5. (a) A member who retired and elected an annuity  
36 pursuant to Section 25011 may elect to change ~~options~~ *annuities*,  
37 subject to all of the following:

38 (1) A member who elected a single life annuity with or  
39 without a cash refund feature or elects a period certain annuity  
40 may not change his or her annuity.

1 (2) A member who elected an annuity under paragraph (3) or  
2 (4) of subdivision (a) of Section 25011 may elect an annuity  
3 under paragraph (3) of subdivision (a) of Section 25011.1.

4 (3) The election ~~of~~ by the member under this section is made  
5 on or after January 1, 2007, and prior to July 1, 2007.

6 (4) The member designates the same beneficiary that was  
7 designated under the prior annuity election ~~of the member~~ by the  
8 member; *if the annuity and annuity designation was effective on*  
9 *December 31, 2006.*

10 (5) The *member and the* annuity beneficiary ~~is~~ *are* not  
11 afflicted with a known terminal illness and the member declares,  
12 under penalty of perjury under the laws of this state, that to the  
13 best of his or her knowledge, *he or she and* the annuity  
14 beneficiary ~~is~~ *are* not afflicted with a known terminal illness.

15 (6) The annuity beneficiary has not predeceased the member  
16 as of the effective date of the change in the annuity ~~of~~ by the  
17 member.

18 (b) The change in the annuity ~~of~~ by the member shall be  
19 effective on the date the election is signed, provided that the  
20 election is on a properly executed form provided by the system  
21 and that election is received at the system's headquarters office  
22 as described in Section 22375 within 30 days after the date the  
23 election is signed.

24 (c) *After receipt of a member's election document, the system*  
25 *shall mail an acknowledgment notice to the member that sets*  
26 *forth the new annuity elected by the member.*

27 (d) *If the member and the annuity beneficiary are alive and*  
28 *not afflicted with a known terminal illness, a member may cancel*  
29 *the election to change annuities and elect to receive the benefit*  
30 *according to the preexisting annuity election. After cancellation,*  
31 *the member may elect to make a one-time change from the*  
32 *preexisting annuity to any other annuity provided by and subject*  
33 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*  
34 *(a). The cancellation or the cancellation and one-time change*  
35 *shall be made on a properly executed form provided by the*  
36 *system and shall be received at the system's headquarters office*  
37 *as described in Section 22375 no later than 30 calendar days*  
38 *following the date of mailing of the acknowledgment notice. If the*  
39 *member elects to make the one-time change provided by this*

1 subdivision, the change shall be effective as of the member's  
2 signature date on the initial election to change.

3 (e) If the system is unable to mail an acknowledgment notice  
4 to the member on or before June 1, 2007, or prior to the end of  
5 the election period, provided that the member and the annuity  
6 beneficiary are alive and not afflicted with a known terminal  
7 illness, the system shall allow a member to cancel the election to  
8 change annuities and elect to receive the benefit according to the  
9 preexisting annuity election. After cancellation, the member may  
10 elect to make a one-time change from the preexisting annuity to  
11 any other annuity provided by and subject to the restrictions of  
12 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation  
13 or the cancellation and one-time change may be made after the  
14 end of the election period if it is made on a properly executed  
15 form provided by the system and is received at the system's  
16 headquarters office as described in Section 22375 no later than  
17 30 calendar days following the date of mailing of the  
18 acknowledgment notice. If the member elects to make the  
19 one-time change provided by this subdivision, the change shall  
20 be effective as of the member's signature date on the initial  
21 election to change.

22 (f) If the member elects to change his or her annuity as  
23 described in subdivision (a), the annuity of the member shall be  
24 modified in a manner determined by the board to prevent any  
25 additional liability to the plan.

26 ~~(d)~~

27 (g) References to a "member" in paragraph (1) of subdivision  
28 (a) shall apply to the nonmember spouse.

29 (h) The member shall not change annuities in derogation of a  
30 spouse's or former spouse's community property rights as  
31 specified in a court order.

32 SEC. 54. Section 25012 of the Education Code is amended to  
33 read:

34 25012. (a) An annuity payable under the Defined Benefit  
35 Supplement Program shall be determined as a value actuarially  
36 equivalent to the balance of credits in the member's Defined  
37 Benefit Supplement account on the date the benefit becomes  
38 payable and after any lump-sum payment. If a single life annuity  
39 is elected, the annuity shall be calculated using the age of the  
40 member on the date the benefit becomes payable. A member may



1 elect a single life annuity only if the member did not elect to  
2 receive a modified allowance pursuant to Section 24300 or  
3 24300.1. If a joint and survivor annuity is elected, the annuity  
4 shall be calculated using the age of the member and the age of  
5 the member's beneficiary on the date the benefit becomes  
6 payable. A member may elect a joint and survivor annuity only if  
7 the member elected to receive a modified allowance pursuant to  
8 Section 24300 or 24300.1.

9 (b) The beneficiary designation made pursuant to Section  
10 24307 is not applicable to benefits payable under this chapter.

11 SEC. 55. Section 25015 of the Education Code is amended to  
12 read:

13 25015. (a) If a member elects to receive a benefit payable  
14 under the Defined Benefit Supplement Program as a joint and  
15 survivor annuity, the designation of the beneficiary made  
16 pursuant to Section 24300, ~~24300.1, or 24301~~ or 24300.1 shall  
17 apply to the benefit payable under this chapter. The annuity  
18 beneficiary designation shall not be changed after the date the  
19 benefit becomes payable to the member, except as provided in  
20 Section ~~25011, 24305.3, or 25018~~ 24305.3, 25011, 25011.1,  
21 25018, or 25018.1, or Chapter 12 (commencing with Section  
22 22650).

23 (b) ~~If the member designates multiple annuity beneficiaries~~  
24 ~~pursuant to Section 24300, 24300.1, or 24301, the percentage of~~  
25 ~~the annuity payable to each annuity beneficiary upon the death of~~  
26 ~~the member specified in that designation shall apply to the~~  
27 ~~benefit payable under this one or multiple option beneficiaries~~  
28 ~~within Option 8 pursuant to Section 24300 or 24300.1, the~~  
29 ~~percentage of the unmodified allowance attributable to each~~  
30 ~~option beneficiary specified in that designation shall apply to the~~  
31 ~~joint and survivor annuity payable under this chapter. The~~  
32 ~~member shall elect one joint and survivor annuity type and this~~  
33 ~~annuity type shall be applied the same for each beneficiary and~~  
34 ~~each designated percentage of the member only annuity. If any~~  
35 ~~percentage of the allowance was designated to remain~~  
36 ~~unmodified, the member only annuity shall apply for the~~  
37 ~~corresponding percentage of the annuity provided under this~~  
38 ~~chapter. The annuity amount payable to the member during his~~  
39 ~~or her lifetime shall be modified to be payable over the combined~~  
40 ~~lives of the member and the annuity beneficiary or beneficiaries.~~

1 (c) If the member predeceases an annuity beneficiary, the  
2 annuity beneficiary may designate, on a properly executed form  
3 provided by the system, a payee to receive an amount that may  
4 be payable in a lump sum pursuant to Section 25023 upon the  
5 death of the annuity beneficiary.

6 SEC. 56. Section 25016 of the Education Code is amended to  
7 read:

8 25016. (a) A member's disability benefit under the Defined  
9 Benefit Supplement Program shall be an amount equal to the  
10 balance of credits in the member's Defined Benefit Supplement  
11 account on the date the disability benefit becomes payable.

12 (b) A disability benefit shall be a lump-sum payment, or an  
13 annuity payable in monthly installments, or a combination of  
14 both a lump-sum payment and an annuity, as elected by the  
15 member on the application for a disability benefit. Any  
16 retirement benefit paid as an annuity under this chapter shall be  
17 subject to Section 25018 or 25018.1.

18 (c) Upon distribution of the entire disability benefit in a  
19 lump-sum payment, no other benefit shall be payable to the  
20 member or the member's beneficiary under the Defined Benefit  
21 Supplement Program.

22 SEC. 57. Section 25018 of the Education Code is amended to  
23 read:

24 25018. (a) A member may elect to receive the disability  
25 benefit as an annuity, payable in monthly installments, provided  
26 the balance of credits in the member's Defined Benefit  
27 Supplement account on the date the disability benefit becomes  
28 payable equals at least three thousand five hundred dollars  
29 (\$3,500) after any lump-sum payment has been made from this  
30 account.

31 (b) If the member elects to receive the disability benefit as an  
32 annuity, the member shall elect one of the following forms of  
33 payment:

34 (1) A single life annuity without a cash refund feature. This  
35 form of payment is the actuarial equivalent of the amount that  
36 would be payable to the member if the member elected to receive  
37 the disability benefit in a lump-sum payment. Upon the death of  
38 the member, no other benefit shall be payable to the member's  
39 beneficiary under the Defined Benefit Supplement Program.

1 (2) A single life annuity with a cash refund feature. This form  
2 of payment is the actuarial equivalent of the amount that would  
3 be payable to the member if the member elected to receive the  
4 disability benefit in a lump-sum payment. Upon the death of the  
5 member, an amount equal to the remaining balance of credits, if  
6 any, transferred from the member's Defined Benefit Supplement  
7 account to the Annuitant Reserve shall be returned in a lump-sum  
8 payment to the member's beneficiary.

9 (3) For a member receiving an allowance pursuant to Chapter  
10 26 (commencing with Section 24100), a 100-percent joint and  
11 survivor annuity with a "pop-up" feature. This form of payment  
12 is the actuarial equivalent of the lump-sum payment modified to  
13 be payable over the combined lives of the member and the  
14 member's annuity beneficiary. Upon the death of the member,  
15 the same monthly amount that was payable to the member shall  
16 be paid monthly to the member's surviving annuity beneficiary.  
17 However, if the annuity beneficiary predeceases the member, the  
18 annuity payable to the member shall be the single life annuity  
19 with a cash refund feature that would have been payable had the  
20 member—~~selected~~ *elected* that form of payment at the  
21 commencement of the benefit. That single life annuity shall be  
22 payable as of the day following the date of the annuity  
23 beneficiary's death upon receipt by the system of proof of the  
24 annuity beneficiary's death. If the annuity beneficiary  
25 predeceases the member, ~~the member may designate a~~ *and the*  
26 *member designates a new option beneficiary pursuant to Section*  
27 *24300, the new option beneficiary shall be the new annuity*  
28 *beneficiary. The effective date of the new designation shall be six*  
29 *months following the date notification, on a properly executed*  
30 *form, is received by the board, provided both the member and the*  
31 *new-designated annuity beneficiary are then living. The selection*  
32 *of the new annuity beneficiary under this paragraph shall be*  
33 *subject to an actuarial modification of the single life annuity with*  
34 *a cash refund feature and shall not result in any additional*  
35 *liability to the fund. The new annuity beneficiary shall not be an*  
36 *existing annuity beneficiary.*

37 (4) For a member receiving an allowance pursuant to Chapter  
38 26 (commencing with Section 24100), a 50-percent joint and  
39 survivor annuity with a "pop-up" feature. This form of payment  
40 is the actuarial equivalent of the lump-sum payment modified to

1 be payable over the combined lives of the member and the  
2 member's annuity beneficiary. Upon the death of the member,  
3 one-half of the monthly amount that was payable to the member  
4 shall be paid monthly to the member's surviving annuity  
5 beneficiary. However, if the annuity beneficiary predeceases the  
6 member, the annuity payable to the member shall be the single  
7 life annuity with a cash refund feature that would have been  
8 payable had the member ~~selected~~ *elected* that form of payment at  
9 the commencement of the benefit. That single life annuity shall  
10 be payable as of the day following the date of the annuity  
11 beneficiary's death upon receipt by the system of proof of the  
12 annuity beneficiary's death. If the annuity beneficiary  
13 predeceases the member, ~~the member may designate a~~ *and the*  
14 *member designates a new option beneficiary pursuant to Section*  
15 *24300, the new option beneficiary shall be the new annuity*  
16 *beneficiary.* The effective date of the new designation shall be six  
17 months following the date notification, on a properly executed  
18 form, is received by the board, provided both the member and the  
19 new ~~designated~~ annuity beneficiary are then living. The ~~selection~~  
20 ~~of the new annuity beneficiary under this paragraph shall be~~  
21 subject to an actuarial modification of the single life annuity with  
22 a cash refund feature and shall not result in any additional  
23 liability to the fund. The new annuity beneficiary shall not be an  
24 existing annuity beneficiary.

25 (5) A period certain annuity. This form of payment is an  
26 annuity equal to the actuarial equivalent of the balance of credits  
27 in the member's Defined Benefit Supplement account on the date  
28 the disability benefit becomes payable. The annuity shall be  
29 payable in whole year increments over a period of years specified  
30 by the member, from a minimum of three years to a maximum of  
31 10 years. However, the annuity period may not exceed the life  
32 expectancy of the member, or the life expectancy of the member  
33 and the member's annuity beneficiary. If the member's death  
34 occurs prior to the end of the period certain, the remaining  
35 balance of payments shall be paid to the member's annuity  
36 beneficiary pursuant to Section 25022.

37 (c) Except as described in subdivision (e) of Section 25018.1,  
38 on or after January 1, 2007, a member may not make a new  
39 election for an annuity described in subdivision (b).

1 (d) On or after January 1, 2007, a member may not make a  
2 new election of a joint and survivor annuity described in  
3 subdivision (b), except as provided by subdivision (e) of Section  
4 25018.1.

5 (e) Any member with a disability benefit effective on or after  
6 January 1, 2007, shall elect an annuity from the annuities  
7 described in Section 25018.1.

8 SEC. 58. Section 25018.1 is added to the Education Code, to  
9 read:

10 25018.1. (a) A member may elect to receive the disability  
11 benefit as an annuity, payable in monthly installments, provided  
12 the balance of credits in the member's Defined Benefit  
13 Supplement account on the date the disability benefit becomes  
14 payable equals at least three thousand five hundred dollars  
15 (\$3,500) after any lump-sum payment has been made from this  
16 account. If the member elects to receive the disability benefit as  
17 an annuity, the member shall elect one of the following forms of  
18 payment:

19 (1) Member only annuity. This is a single life annuity with a  
20 cash refund feature that is the actuarial equivalent of the amount  
21 that would be payable to the member if the member elected to  
22 receive the disability benefit in a lump-sum payment. Upon the  
23 death of the member, an amount equal to the remaining balance  
24 of credits, *if any*, transferred from the member's Defined Benefit  
25 Supplement account to the annuitant reserve shall be returned in  
26 a lump-sum payment to the member's beneficiary.

27 (2) One hundred percent beneficiary annuity. This form of  
28 payment is the actuarial equivalent of the lump-sum payment  
29 modified to be payable over the combined lives of the member  
30 and the member's annuity beneficiary *or beneficiaries*. Upon the  
31 death of the member, 100 percent of the monthly amount that  
32 was payable to the member shall be paid monthly to the  
33 member's surviving annuity beneficiary *or beneficiaries*.

34 (3) Seventy-five percent beneficiary annuity. This form of  
35 payment is the actuarial equivalent of the lump-sum payment  
36 modified to be payable over the combined lives of the member  
37 and the member's annuity beneficiary *or beneficiaries*. Pursuant  
38 to Section 401(a)(9) of the Internal Revenue Code, ~~unless the~~  
39 ~~annuity beneficiary is the member's spouse or former spouse~~  
40 ~~who has been awarded a community property interest in the~~

1 member's benefits under this part, the member may not designate  
2 an annuity beneficiary under this option who is more than 19  
3 years of age younger than the member *the member shall not elect*  
4 *this annuity if a beneficiary is more than exactly 19 years*  
5 *younger than the member unless the beneficiary is the member's*  
6 *spouse or former spouse and the election is pursuant to a*  
7 *determination of community property rights.* Upon the death of  
8 the member, 75 percent of the monthly amount that was payable  
9 to the member shall be paid monthly to the surviving annuity  
10 beneficiary *or beneficiaries* of the member.

11 (4) Fifty percent beneficiary annuity. This form of payment is  
12 the actuarial equivalent of the lump-sum payment modified to be  
13 payable over the combined lives of the member and the  
14 member's annuity beneficiary *or beneficiaries*. Upon the death of  
15 the member, one-half of the monthly amount that was payable to  
16 the member shall be paid monthly to the member's surviving  
17 annuity beneficiary *or beneficiaries*.

18 ~~(5) Compound annuity. This form of payment is the actuarial~~  
19 ~~equivalent of the lump-sum payment modified to be payable over~~  
20 ~~the combined lives of the member and any annuity beneficiary~~  
21 ~~pursuant to Section 25015. The member's Defined Benefit~~  
22 ~~Supplement benefit will be distributed to each annuity~~  
23 ~~beneficiary pursuant to paragraphs (1) to (4), inclusive, of this~~  
24 ~~subdivision for the designated portion as described in Section~~  
25 ~~24300, 24300.1, or 24301.~~

26 (A) The member's election of the compound annuity is subject  
27 to all of the following:

28 (i) Pursuant to Section 401(a)(9) of the Internal Revenue  
29 Code, if the member elects the 100 percent beneficiary annuity  
30 through his or her compound annuity election, and unless the  
31 annuity beneficiary is the member's spouse or former spouse  
32 who has been awarded a community property interest in the  
33 member's benefits under this part, the member may not designate  
34 an annuity beneficiary under this annuity who is 10 or more years  
35 of age younger than the member.

36 (ii) Pursuant to Section 401(a)(9) of the Internal Revenue  
37 Code, if the member elects the 75 percent beneficiary annuity  
38 through his or her compound annuity election, and unless the  
39 annuity beneficiary is the member's spouse or former spouse  
40 who has been awarded a community property interest in the

1 member's benefits under this part, the member may not designate  
2 an annuity beneficiary under this annuity who is more than 19  
3 years of age younger than the member.

4 (6)

5 (5) A period certain annuity. This form of payment is an  
6 annuity equal to the actuarial equivalent of the balance of credits  
7 in the member's Defined Benefit Supplement account on the date  
8 the disability benefit becomes payable. The annuity shall be  
9 payable in whole year increments over a period of years specified  
10 by the member, from a minimum of three years to a maximum of  
11 10 years. However, the annuity period may not exceed the life  
12 expectancy of the member, or the life expectancy of the member  
13 and the member's annuity beneficiary. If the member's death  
14 occurs prior to the end of the period certain, the remaining  
15 balance of payments shall be paid to the member's annuity  
16 beneficiary pursuant to Section 25022.

17 (b) If an annuity beneficiary designated pursuant to paragraph  
18 (2), (3), or (4) of subdivision (a) predeceases the member, the  
19 annuity payable to the member shall be the single life annuity  
20 with a cash refund feature shall be paid to the member as the  
21 member only annuity that would have been payable had the  
22 member elected that form of payment at the commencement of  
23 the benefit. That single life member only annuity shall be payable  
24 as of the day following the date of the annuity beneficiary's death  
25 upon receipt by the system of proof of the annuity beneficiary's  
26 death. If the annuity beneficiary predeceases the member, the  
27 member may designate and the member designates a new option  
28 beneficiary pursuant to Section 24300.1, the new option  
29 beneficiary shall be a new annuity beneficiary. The effective date  
30 of the new designation shall be six months following the date  
31 notification is received by the board, provided both the member  
32 and the new designated annuity beneficiary are then living.  
33 Notice to the board of the death of the annuity beneficiary shall  
34 be on a properly executed form provided by the system. The  
35 designation of the new annuity beneficiary under this paragraph  
36 is subject to an actuarial modification of the member only annuity  
37 and may not result in any additional liability to the fund. The new  
38 annuity beneficiary may not be an existing annuity beneficiary.

39 (c) If a nonmember spouse elects to receive the retirement  
40 benefit as an annuity, the nonmember spouse shall elect the form

1 of payment specified in paragraph (1) or (6) of subdivision (a)  
2 and, in those paragraphs, references to a “member” shall apply to  
3 the nonmember spouse.

4 (d)

5 (c) Notwithstanding ~~Sections~~ *Section* 297 or 299.2 of the  
6 Family Code, a spouse as described in paragraph (3) or (5) of  
7 subdivision (a) does not include the domestic partner of the  
8 member, pursuant to Section 7 of Title 1 of the United States  
9 Code.

10 (e)

11 (d) If there is a determination of community property rights as  
12 described in Chapter 12 (commencing with Section 22650) of  
13 this part on or before December 31, 2006, the member may elect  
14 the annuity that is required by the judgment or court order.  
15 Nothing in this ~~section~~ *part* shall permit the member to change  
16 the annuity to the detriment of the community property interest  
17 of the nonmember spouse.

18 SEC. 59. Section 25018.2 is added to the Education Code, to  
19 read:

20 25018.2. (a) A member who is disabled and elected an  
21 annuity pursuant to Section 25018 may elect to change annuities,  
22 subject to all of the following:

23 (1) A member who elected a single life annuity with or  
24 without a cash refund feature or ~~elects~~ *elected* a period certain  
25 annuity may not change his or her annuity.

26 (2) A member who elected an annuity under paragraph (3) or  
27 (4) of subdivision (b) of Section 25018 may elect an annuity  
28 under paragraph (3) of subdivision (a) of Section 25018.1.

29 (3) The election ~~of~~ *by* the member under this section is made  
30 on or after January 1, 2007, and prior to July 1, 2007.

31 (4) The member designates the same annuity beneficiary that  
32 was designated under the prior annuity election ~~of~~ *by* the  
33 member, *if the annuity and the annuity designation were effective*  
34 *on December 31, 2006.*

35 (5) ~~The annuity beneficiary is member and the annuity~~  
36 *beneficiary are* not afflicted with a known terminal illness and  
37 the member declares, under penalty of perjury under the laws of  
38 this state, that to the best of his or her knowledge, *he or she and*  
39 *the annuity beneficiary are* not afflicted with a known terminal  
40 illness.



1 (6) The annuity beneficiary has not predeceased the member  
2 as of the effective date of the change in the annuity ~~of by the~~  
3 member.

4 (b) The change in the annuity ~~of by the~~ member shall be  
5 effective on the date the election is signed, provided that the  
6 election is on a properly executed form provided by the system  
7 and that election is received at the system's headquarters office  
8 as described in Section 22375 within 30 days after the date the  
9 election is signed.

10 (c) *After receipt of a member's election document, the system*  
11 *shall mail an acknowledgment notice to the member that sets*  
12 *forth the new annuity elected by the member.*

13 (d) *If the member and the annuity beneficiary are alive and*  
14 *not afflicted with a known terminal illness, a member may cancel*  
15 *the election to change annuities and elect to receive the benefit*  
16 *according to the preexisting annuity election. After cancellation,*  
17 *the member may elect to make a one-time change from the*  
18 *preexisting annuity to any other annuity provided by and subject*  
19 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*  
20 *(a). The cancellation or the cancellation and one-time change*  
21 *shall be made on a properly executed form provided by the*  
22 *system and shall be received at the system's headquarters office*  
23 *as described in Section 22375 no later than 30 calendar days*  
24 *following the date of mailing of the acknowledgment notice. If the*  
25 *member elects to make the one-time change provided by this*  
26 *subdivision, the change shall be effective as of the member's*  
27 *signature date on the initial election to change.*

28 (e) *If the system is unable to mail an acknowledgment notice*  
29 *to the member on or before June 1, 2007, or prior to the end of*  
30 *the election period, provided that the member and the annuity*  
31 *beneficiary are alive and not afflicted with a known terminal*  
32 *illness, the system shall allow a member to cancel the election to*  
33 *change annuities and elect to receive the benefit according to the*  
34 *preexisting annuity election. After cancellation, the member may*  
35 *elect to make a one-time change from the preexisting annuity to*  
36 *any other annuity provided by and subject to the restrictions of*  
37 *paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation*  
38 *or the cancellation and one-time change may be made after the*  
39 *end of the election period if it is made on a properly executed*  
40 *form provided by the system and is received at the system's*

1 *headquarters office as described in Section 22375 no later than*  
2 *30 calendar days following the date of mailing of the*  
3 *acknowledgment notice. If the member elects to make the*  
4 *one-time change provided by this subdivision, the change shall*  
5 *be effective as of the member's signature date on the initial*  
6 *election to change.*

7 (f) If the member elects to change his or her annuity as  
8 described in subdivision (a), (d), or (e), the annuity of the  
9 member shall be modified in a manner determined by the board  
10 to prevent any additional liability to the plan.

11 ~~(d) References to a "member" in paragraph (1) of subdivision~~  
12 ~~(a) shall apply to the nonmember spouse.~~

13 (g) *The member shall not change annuities in derogation of a*  
14 *spouse's or former spouse's community property rights as*  
15 *specified in a court order.*

16 SEC. 60. Section 25021 of the Education Code is amended to  
17 read:

18 25021. (a) A beneficiary, other than an entity, may elect to  
19 receive the final benefit payable under the Defined Benefit  
20 Supplement Program as an annuity payable in monthly  
21 installments provided the balance of credits in the member's  
22 Defined Benefit Supplement account that is payable to that  
23 beneficiary equals at least three thousand five hundred dollars  
24 (\$3,500).

25 (b) A beneficiary who elects to receive an annuity under this  
26 section shall elect a period certain annuity. This form of payment  
27 is an annuity equal to the actuarial equivalent of the balance of  
28 credits in the member's Defined Benefit Supplement account on  
29 the date of the member's death. The annuity shall be payable in  
30 whole year increments over a period of years specified by the  
31 beneficiary, from a minimum of three years to a maximum of 10  
32 years, but not to exceed the life expectancy of the beneficiary.  
33 The beneficiary may designate a payee to receive the remaining  
34 balance of payments if the beneficiary's death occurs prior to the  
35 end of the period certain.

36 (c) A beneficiary may designate a payee who would, upon the  
37 death of the beneficiary, be entitled to receive the beneficiary's  
38 accrued annuity allowance.

39 SEC. 61. Section 25024 of the Education Code is amended to  
40 read:

1 25024. (a) Upon the termination of all employment to  
2 perform creditable service subject to coverage under the plan for  
3 a reason other than retirement, disability, or death, a member  
4 shall be eligible for a termination benefit under the Defined  
5 Benefit Supplement Program. The member's employer, or  
6 employers if the member has multiple employers, shall certify on  
7 a form prescribed by the system that the member's employment  
8 has been terminated, unless the member's termination of  
9 employment occurred 12 consecutive months or more prior to the  
10 date the member signed the application for a Defined Benefit  
11 Supplement termination benefit.

12 (b) A member shall submit an application for a termination  
13 benefit on a form prescribed by the system. If a member submits  
14 an application for a refund of contributions under the Defined  
15 Benefit Program, pursuant to Section 23103, that application  
16 shall also be deemed an application for a termination benefit. If a  
17 member cancels the application for a refund of contributions  
18 under the Defined Benefit Program, the application for the  
19 termination benefit shall also be deemed to have been cancelled.

20 (c) The termination benefit shall be a lump-sum payment that  
21 is equal to the balance of credits in the member's Defined Benefit  
22 Supplement account.

23 (d) Upon distribution of the termination benefit, no further  
24 benefit shall be payable to the member or the member's  
25 beneficiary under the Defined Benefit Supplement Program.

26 (e) A partial distribution of the balance of credits in a  
27 member's Defined Benefit Supplement account shall not be  
28 made, except as provided in Section 25009, 25015, 25016, or  
29 25022.

30 SEC. 62. Section 26000.5 of the Education Code is amended  
31 to read:

32 26000.5. ~~(a)~~—An employer whose governing board has  
33 elected to provide the benefits of this part for its employees  
34 pursuant to Section 26000 shall enter into an agreement with the  
35 State Teachers' Retirement System. The agreement shall specify  
36 the terms and conditions of the employer's formal action to  
37 provide the Cash Balance Benefit Program and shall remain in  
38 effect unless or until the employer exercises the right to  
39 discontinue the program pursuant to Chapter 17 (commencing  
40 with Section 28100).

1 SEC. 63. Section 26002.5 of the Education Code is amended  
2 to read:

3 26002.5. Except as excluded in ~~Sections 26004 and 27406 or~~  
4 ~~subdivision (d) of Section 26807.5~~ *Section 26004, subdivision (d)*  
5 *of Section 26807.5, subdivision (d) of Section 26906.5, or Section*  
6 27406, a person who is the registered domestic partner of a  
7 member, as established pursuant to Section 297 or 299.2 of the  
8 Family Code, shall be treated in the same manner as a “spouse,”  
9 as defined in Section 26140.

10 SEC. 64. Section 26113 of the Education Code is amended to  
11 read:

12 26113. (a) “Creditable service” means any of the following  
13 activities performed for an employer in a position requiring a  
14 credential, certificate, or permit pursuant to this code or under the  
15 appropriate minimum standards adopted by the Board of  
16 Governors of the California Community Colleges or under the  
17 provisions of an approved charter for the operation of a charter  
18 school for which the employer is eligible to receive state  
19 apportionment or pursuant to a contract between a community  
20 college district and the United States Department of Defense to  
21 provide vocational training:

22 (1) The work of teachers, instructors, district interns and  
23 academic employees employed in the instructional program for  
24 pupils, including special programs such as adult education,  
25 regional occupational programs, child care centers, and  
26 prekindergarten programs pursuant to Section 22161.

27 (2) Education or vocational counseling, guidance, and  
28 placement services.

29 (3) The work of directors, coordinators, and assistant  
30 administrators who plan courses of study to be used in California  
31 public schools, or research connected with the evaluation or  
32 efficiency of the instructional program.

33 (4) The selection, collection, preparation, classification,  
34 demonstration, or evaluation of instructional materials of any  
35 course of study for use in the development of the instructional  
36 program in California public schools, or other services related to  
37 school curriculum.

38 (5) The examination, selection, in-service training, or  
39 assignment of teachers, principals or other similar personnel  
40 involved in the instructional program.

(6) School activities related to, and an outgrowth of, the instructional and guidance program of the school when performed in addition to other activities described in this section.

(7) The work of nurses, physicians, speech therapists, psychologists, audiometrists, audiologists, and other school health professionals.

(8) Services as a school librarian.

(9) The work of county and district superintendents and other employees who are responsible for the supervision of persons or administration of the duties described in this section.

(10) Trustee service as described in Section 26403.

(b) “Creditable service” also means the work of superintendents of California public schools.

(c) The board shall have final authority for determining creditable service to cover activities not already specified.

SEC. 65. Section 26116 of the Education Code is amended to read:

26116. “Disability benefit” means an amount payable under this part for permanent and total disability that is equal to the sum of the participant’s employee account and employer account as of the disability date and is payable pursuant to Section 26905, 26906, or 26906.5.

SEC. 66. Section 26137 of the Education Code is amended to read:

26137. “Retirement benefit” means an amount payable under this part in the event of the participant’s retirement for service that is equal to the sum of the participant’s employee account and employer account as of the retirement date and that is payable pursuant to Section 26806, 26807, or 26807.5.

SEC. 67. Section 26214 of the Education Code is amended to read:

26214. The board shall issue, after the end of the plan year, to each participant having a balance in his or her employee account or employer account, a statement setting forth the balance as of the close of the plan year and amounts credited for the year, provided that the employer or participant has informed the system of the participant’s current United States Postal Service mailing address. If the ~~member~~ *participant* indicates that he or she prefers to receive that statement through the Web site of the system, the board may, in lieu of mailing, issue the statement by

1 secured access through the Web site of the system. The board  
2 shall prescribe the form and content of the account statement.

3 SEC. 68. Section 26301 of the Education Code is amended to  
4 read:

5 26301. (a) Employers shall report contributions paid on  
6 behalf of each participant in each pay period, along with all other  
7 information required by the system no later than 10 working days  
8 following the last day of the pay period in which the salary was  
9 earned, and the report shall be delinquent immediately thereafter.  
10 That report shall be submitted electronically in an encrypted  
11 format provided by the system that ensures the security of the  
12 transmitted ~~member~~ *participant* data.

13 (b) The board may assess a penalty against the employer for a  
14 report submitted late or in an unacceptable form. *The penalty*  
15 *shall be based upon the sum of the employee and employer*  
16 *contributions required to be reported under this part at a rate of*  
17 *interest equal to the minimum interest rate, accruing on the*  
18 *balance for the period between the time the report was due and*  
19 *the time an acceptable report is actually filed, or a fee of five*  
20 *hundred dollars (\$500), whichever is greater.*

21 SEC. 69. Section 26400 of the Education Code is amended to  
22 read:

23 26400. (a) A person employed on a part-time basis by a  
24 school district or county office of education to perform creditable  
25 service for less than 50 percent of each full-time position shall  
26 become a participant on the later of the first day that creditable  
27 service is performed for an employer that provides the Cash  
28 Balance Benefit Program or the effective date of the employer's  
29 governing board's action to provide the Cash Balance Benefit  
30 Program, provided that creditable service is not performed for the  
31 same employer with whom the person is subject to mandatory  
32 membership in the Defined Benefit Program.

33 (b) A person employed on a temporary basis by a community  
34 college district, who is not subject to mandatory membership in  
35 the Defined Benefit Program pursuant to Section 22502 or 22504  
36 for each position with the same employer, shall become a  
37 participant on the later of the first day that creditable service is  
38 performed for an employer that provides the Cash Balance  
39 Benefit Program or the effective date of the employer's

governing board's action to provide the Cash Balance Benefit Program.

(c) If the employer's governing board's action to provide the Cash Balance Benefit Program gives employees the right to elect coverage under social security or an alternative retirement plan offered by the employer in addition to the Cash Balance Benefit Program, the employee may elect within 60 calendar days of the latest of the first day that creditable service is performed, the date of the employer's governing board's action to provide the Cash Balance Benefit Program, or the effective date of the employer's governing board's action to provide the Cash Balance Benefit Program to be covered by social security or to participate in the alternative retirement plan in lieu of participating in the Cash Balance Benefit Program. An election may not preclude an employee from participating in the Cash Balance Benefit Program at a later date so long as the Cash Balance Benefit Program is provided by the employer and the employee is eligible to participate in the Cash Balance Benefit Program.

(d) If subdivision (c) is applicable, the employer shall inform employees pursuant to subdivision (c) of Section 26300 of their right to make an election and the election shall be made on a properly executed form provided by the system and filed with the employer. The employer shall retain a copy of the employee's signed election form and mail the original election form to the headquarters office of the system as described in Section 22375. The election shall become effective on the later of the first day that creditable service is performed or the effective date of the employer's governing board's action to provide the Cash Balance Benefit Program.

(e) If the participant's basis of employment with a school district or county office of education that provides the Cash Balance Benefit Program changes to employment to perform creditable service for 50 percent or more of the full-time position during one school year with the same employer, creditable service performed for that employer shall no longer be covered under the Cash Balance Benefit Program. Creditable service performed for that employer shall be subject to coverage by the Defined Benefit Program as of the first day of the pay period following the change in the participant's basis of employment.

(f) If the participant's basis of employment with a community college district changes to employment that is subject to mandatory membership in the Defined Benefit Program pursuant to Section 22501, 22502, or 22504 during one school year with the same employer, creditable service performed for that employer shall no longer be covered under the Cash Balance Benefit Program. Creditable service performed for that employer shall be subject to coverage by the Defined Benefit Program as of the first day of the pay period following the change in the participant's basis of employment.

(g) If the governing board of an employer subsequently provides, in addition to the Cash Balance Benefit Program, social security coverage, a participant covered by the Cash Balance Benefit Program who is performing creditable service for that employer may elect to be covered by social security in lieu of the Cash Balance Benefit Program. That participant's election shall be made within 60 calendar days of the date the governing board acted to provide coverage under social security or the effective date of the governing board's action to provide social security coverage, whichever is later. An election under this subdivision may not preclude an employee from participating in the Cash Balance Benefit Program at a later date if the employee is eligible to participate in the Cash Balance Benefit Program *and the employer provides the Cash Balance Benefit Program*.

(h) If the governing board of an employer provided social security coverage with an effective date prior to January 1, 2007, and the employer offered the Cash Balance Benefit Program as of the effective date of the governing board's action to provide social security coverage, a participant who was performing creditable service for that employer may elect to be covered by social security in lieu of the Cash Balance Benefit Program. The participant's election shall be made on or after March 1, 2008, and on or before May 1, 2008. The election to participate in social security shall be effective on July 1, 2008. An election under this subdivision may not preclude an employee from participating in the Cash Balance Benefit Program at a later date if the employee is eligible to participate in the Cash Balance Benefit Program *and the employer provides the Cash Balance Benefit Program*.



1 (i) An election by an employee to terminate his or her  
2 participation in the Cash Balance Benefit Program as described  
3 in subdivision (g) or (h) shall be made on a properly executed  
4 form provided by the system and filed with the employer. The  
5 employer shall retain a copy of the employee's signed election  
6 form and mail the original election form to the headquarters  
7 office of the system, as described in Section 22375.

8 SEC. 70. Section 26401 of the Education Code is amended to  
9 read:

10 26401. (a) A member of the Defined Benefit Program who is  
11 employed to perform creditable service on a part-time basis for  
12 less than 50 percent of each full-time position by a school district  
13 or county office of education that provides the Cash Balance  
14 Benefit Program may elect to become a participant for creditable  
15 service subject to coverage under the Cash Balance Benefit  
16 Program for that employer, provided that the creditable service is  
17 not performed for the same employer with whom the member is  
18 also subject to mandatory membership in the Defined Benefit  
19 Program.

20 (b) A member of the Defined Benefit Program who is  
21 employed pursuant to Section 87474, 87480, 87481, 87482, or  
22 87482.5 by a community college district that provides the Cash  
23 Balance Benefit Program may elect to become a participant for  
24 creditable service subject to coverage under the Cash Balance  
25 Benefit Program for that employer, provided that the creditable  
26 service is not performed for the same employer with whom the  
27 member is also subject to mandatory membership in the Defined  
28 Benefit Program.

29 (c) The election shall be made on a properly executed form  
30 provided by the system and shall be filed with the employer  
31 within 60 calendar days of the later of the first day of  
32 employment with an employer that provides the Cash Balance  
33 Benefit Program, the date of the employer's governing board's  
34 action to provide the Cash Balance Benefit Program, or the  
35 effective date of the employer's governing board's action to  
36 provide the Cash Balance Benefit Program.

37 (d) Employers shall make available to employees specified in  
38 subdivisions (a) and (b) information and forms provided by the  
39 system for making an election regarding participation. The  
40 employer shall retain a copy of the employee's signed election

1 form and mail the original signed election form to the  
2 headquarters office of the system as described in Section 22375.  
3 The election shall become effective on the first day of the pay  
4 period following the pay period in which the election is made.

5 (e) If an election is made pursuant to subdivision (a) and the  
6 participant's basis of employment with that employer changes to  
7 employment to perform creditable service for 50 percent or more  
8 of the full-time position during one school year with the same  
9 employer, creditable service performed for that employer shall no  
10 longer be covered under the Cash Balance Benefit Program.  
11 Creditable service performed for that employer shall be subject to  
12 coverage under the Defined Benefit Program as of the first day of  
13 the pay period following the change in the participant's basis of  
14 employment.

15 (f) If an election is made pursuant to subdivision (b) and the  
16 participant's basis of employment with the community college  
17 district changes to employment that is subject to mandatory  
18 membership in the Defined Benefit Program pursuant to Section  
19 22501, 22502, or 22504 during one school year with the same  
20 employer, creditable service performed for that employer shall no  
21 longer be covered under the Cash Balance Benefit Program.  
22 Creditable service performed for that employer shall be subject to  
23 coverage under the Defined Benefit Program as of the first day of  
24 the pay period following the change in the participant's basis of  
25 employment.

26 (g) (1) If an employee was excluded from participation in the  
27 Cash Balance Benefit Program pursuant to Section 26401.5, as  
28 that section read on December 31, 2000, for the same service, the  
29 employee may elect to become a participant for creditable service  
30 subject to coverage under the Cash Balance Benefit Program for  
31 that employer, provided all of the following conditions are met:

32 (A) The employment is pursuant to Section 87474, 87480,  
33 87481, 87482, or 87482.5.

34 (B) The employer offers the Cash Balance Benefit Program.

35 (C) The creditable service is not also subject to mandatory  
36 membership in the Defined Benefit Program.

37 (2) Employers shall, on or before May 1, 2007, make available  
38 to employees described in this subdivision, information and  
39 forms provided by the system for making an election regarding  
40 participation. The employee shall submit the form to the

1 employer within a 60-day election period designated by the  
2 employer. The employer shall retain a copy of the employee's  
3 signed election form and mail the original signed election form to  
4 the headquarters office of the system as described in Section  
5 22375. The election shall become effective on the first day of the  
6 pay period following the pay period in which the election is  
7 made.

8 SEC. 71. Section 26807 of the Education Code is amended to  
9 read:

10 26807. (a) Upon application for a retirement benefit under  
11 this part, the participant may elect to receive the retirement  
12 benefit in the form of an annuity, provided the sum of the  
13 employee account and employer account equals or exceeds three  
14 thousand five hundred dollars (\$3,500).

15 (b) If the participant elects to receive the retirement benefit as  
16 an annuity, the participant shall elect one of the following forms  
17 of payment:

18 (1) A single life annuity without a cash refund feature. This  
19 form of payment is the actuarial equivalent of the amount that  
20 would be payable to the participant if the participant elected to  
21 receive the retirement benefit in a lump-sum payment. This  
22 benefit shall be payable for the life of the participant. Upon the  
23 death of the participant, no other benefit shall be payable to any  
24 beneficiary under this part.

25 (2) A single life annuity with a cash refund feature. This form  
26 of payment is the actuarial equivalent of the amount that would  
27 be payable to the participant if the participant elected to receive  
28 the retirement benefit in a lump-sum payment. This benefit shall  
29 be payable for the life of the participant and any balance  
30 remaining upon the death of the participant shall be payable in a  
31 lump sum to the participant's beneficiary.

32 (3) A 100-percent joint and survivor annuity with a "pop-up"  
33 feature. This form of payment is the actuarial equivalent of the  
34 amount that would be payable to the participant if the participant  
35 elected to receive the retirement benefit in a lump-sum payment,  
36 modified to be payable over the combined lives of the participant  
37 and the participant's annuity beneficiary. Upon the death of the  
38 participant, the monthly amount that was payable to the  
39 participant shall be paid monthly to the participant's annuity  
40 beneficiary. However, if the annuity beneficiary predeceases the

1 participant, the annuity payable to the participant shall be the  
2 single life annuity with a cash refund feature that would have  
3 been payable had the participant~~selected~~ *elected* that form of  
4 payment at the commencement of the benefit. That single life  
5 annuity shall be payable as of the day following the date of the  
6 annuity beneficiary's death upon receipt by the system of proof  
7 of the annuity beneficiary's death. If the annuity beneficiary  
8 predeceases the participant, the participant may designate a new  
9 annuity beneficiary. The effective date of the new designation  
10 shall be six months following the date notification, on a properly  
11 executed form, is received by the board, provided both the  
12 participant and the new designated annuity beneficiary are then  
13 living. The~~selection~~ *designation* of the new annuity beneficiary  
14 under this paragraph shall be subject to an actuarial modification  
15 of the single life annuity with a cash refund feature and shall not  
16 result in any additional liability to the fund. The new annuity  
17 beneficiary shall not be an existing annuity beneficiary.

18 (4) A 50-percent joint and survivor annuity with a "pop-up"  
19 feature. This form of payment is the actuarial equivalent of the  
20 amount that would be payable to the participant if the participant  
21 elected to receive the retirement benefit in a lump-sum payment,  
22 modified to be payable over the combined lives of the participant  
23 and the participant's annuity beneficiary. Upon the death of the  
24 participant, one-half of the monthly amount that was payable to  
25 the participant shall be paid monthly to the participant's annuity  
26 beneficiary. However, if the annuity beneficiary predeceases the  
27 participant, the annuity payable to the participant shall be the  
28 single life annuity with a cash refund feature that would have  
29 been payable had the participant~~selected~~ *elected* that form of  
30 payment at the commencement of the benefit. That single life  
31 annuity shall be payable as of the day following the date of the  
32 annuity beneficiary's death upon receipt by the system of proof  
33 of the annuity beneficiary's death. If the annuity beneficiary  
34 predeceases the participant, the participant may designate a new  
35 annuity beneficiary. The effective date of the new designation  
36 shall be six months following the date notification, on a properly  
37 executed form, is received by the board, provided both the  
38 participant and the new designated annuity beneficiary are then  
39 living. The~~selection~~ *designation* of the new annuity beneficiary  
40 under this paragraph shall be subject to an actuarial modification

1 of the single life annuity with a cash refund feature and shall not  
2 result in any additional liability to the fund. The new annuity  
3 beneficiary shall not be an existing annuity beneficiary.

4 (5) A period certain annuity. This form of payment is an  
5 annuity equal to the actuarial equivalent of the sum of the  
6 balance of the employee account and the employer account on  
7 the date the retirement benefit becomes payable. The annuity  
8 shall be payable in whole year increments over a period of years  
9 specified by the participant, from a minimum of three years to a  
10 maximum of 10 years. However, the annuity period may not  
11 exceed the life expectancy of the participant or of the participant  
12 and the participant's annuity beneficiary. If the participant's  
13 death occurs prior to the end of the period certain, the remaining  
14 balance of payments shall be paid to the participant's annuity  
15 beneficiary pursuant to Section 27007.

16 (c) Except as described in subdivision (e) of Section 26807.5,  
17 on or after January 1, 2007, a ~~member~~ participant may not make  
18 a new election ~~for~~ of an annuity described in subdivision (b).

19 (d) Any participant with a retirement effective on or after  
20 January 1, 2007, shall elect an annuity from the annuities  
21 described in Section 26807.5.

22 SEC. 72. Section 26807.5 is added to the Education Code, to  
23 read:

24 26807.5. (a) Upon application for a retirement benefit under  
25 this part, the participant may elect to receive the retirement  
26 benefit as an annuity payable in monthly installments, provided  
27 the sum of the employee account and employer account equals or  
28 exceeds three thousand five hundred dollars (\$3,500). If the  
29 participant elects to receive the retirement benefit as an annuity,  
30 the participant shall elect one of the following forms of payment:

31 (1) Participant only annuity. This is a single life annuity with a  
32 cash refund feature that is the actuarial equivalent of the amount  
33 that would be payable to the participant if the participant elected  
34 to receive the retirement benefit in a lump-sum payment. Upon  
35 the death of the participant, an amount equal to the remaining  
36 balance of the participant's contributions and interest shall be  
37 paid in a lump-sum to the participant's beneficiary.

38 (2) One hundred percent beneficiary annuity. This is a joint  
39 and survivor annuity that is the actuarial equivalent of the  
40 lump-sum payment modified to be payable over the combined

1 lives of the participant and the participant's annuity beneficiary.  
2 Upon the death of the participant, 100 percent of the monthly  
3 amount that was payable to the participant shall be paid monthly  
4 to the participant's surviving annuity beneficiary.

5 (3) Seventy-five percent beneficiary annuity. This is a joint  
6 and survivor annuity that is the actuarial equivalent of the  
7 lump-sum payment modified to be payable over the combined  
8 lives of the participant and the participant's annuity beneficiary.  
9 Pursuant to Section 401(a)(9) of the Internal Revenue Code,  
10 unless the annuity beneficiary is the participant's spouse or  
11 former spouse who has been awarded a community property  
12 interest in the participant's benefits under this part, the  
13 participant may not designate an annuity beneficiary under this  
14 annuity who is more than ~~19 years of age~~ *exactly 19 years*  
15 younger than the participant. Upon the death of the participant,  
16 75 percent of the monthly amount that was payable to the  
17 participant shall be paid monthly to the participant's surviving  
18 annuity beneficiary.

19 (4) Fifty percent beneficiary annuity. This is a joint and  
20 survivor annuity that is the actuarial equivalent of the lump-sum  
21 payment modified to be payable over the combined lives of the  
22 participant and the participant's annuity beneficiary. Upon the  
23 death of the participant, 50 percent of the monthly amount that  
24 was payable to the participant shall be paid monthly to the  
25 participant's surviving annuity beneficiary.

26 (5) A period certain annuity. ~~This is a joint and survivor~~  
27 ~~annuity that is an annuity form of payment is an annuity that is~~  
28 equal to the actuarial equivalent of the balance of credits in the  
29 participant's Cash Balance Benefit account on the date the  
30 retirement benefit becomes payable. The annuity shall be payable  
31 in whole year increments over a period of years specified by the  
32 participant, from a minimum of three years to a maximum of 10  
33 years. However, the annuity period may not exceed the life  
34 expectancy of the participant or of the participant and the  
35 participant's annuity beneficiary. If the participant's death occurs  
36 prior to the end of the period certain, the remaining balance of  
37 payments shall be paid to the participant's annuity beneficiary  
38 pursuant to Section 27007.

39 (b) If an annuity beneficiary designated pursuant to paragraph  
40 (2), (3), or (4) of subdivision (a) predeceases the participant, ~~that~~

1 ~~portion of the annuity payable to the annuity beneficiary~~ shall be  
2 paid to the participant as ~~a~~ *the* participant only annuity described  
3 in paragraph (1) of subdivision (a) that would have been payable  
4 had the participant elected that form of payment at the  
5 commencement of the benefit. That participant only annuity shall  
6 be payable as of the day following the date of the annuity  
7 beneficiary's death upon receipt by the system of proof of the  
8 annuity beneficiary's death. If the annuity beneficiary  
9 predeceases the participant, the participant may designate a new  
10 annuity beneficiary ~~for the portion that was payable to the prior~~  
11 ~~annuity beneficiary~~. The effective date of the new designation  
12 shall be six months following the date notification is received by  
13 the board, provided both the participant and the new designated  
14 annuity beneficiary are then living. Notice to the board of the  
15 death of the annuity beneficiary shall be on a properly executed  
16 form provided by the system. The designation of the new annuity  
17 beneficiary under this paragraph is subject to an actuarial  
18 modification *of the participant only annuity* and may not result in  
19 any additional liability to the ~~fund~~. ~~The new annuity beneficiary~~  
20 ~~may not be an existing annuity beneficiary.~~ *fund.*

21 (c) If a nonparticipant spouse elects to receive the retirement  
22 benefit as an annuity, the nonparticipant spouse shall elect the  
23 form of payment specified in paragraph (1) or (5) of subdivision  
24 (a) and, in those paragraphs, references to a "participant" shall  
25 apply to the nonparticipant spouse.

26 (d) Notwithstanding ~~Sections~~ *Section* 297 or 299.2 of the  
27 Family Code, a spouse as described in paragraph (3) ~~or (5)~~ of  
28 subdivision (a) does not include the domestic partner of the  
29 ~~member participant~~, pursuant to Section 7 of Title 1 of the  
30 United States Code.

31 (e) If there is a determination of community property rights as  
32 described in Chapter 15 (commencing with Section 27400) of  
33 this part on or before December 31, 2006, the participant may  
34 elect the annuity that is required by the judgment or court order.  
35 Nothing in this ~~section~~ *part* shall permit the participant to change  
36 the annuity to the detriment of the community property interest  
37 of the ~~nonmember nonparticipant~~ spouse.

38 SEC. 73. Section 26807.6 is added to the Education Code, to  
39 read:

1     26807.6. (a) A participant who retired and elected an annuity  
2 pursuant to Section 26807 may elect to change annuities, subject  
3 to all of the following:

4     (1) A participant who elected a single life annuity with or  
5 without a cash refund feature or a period certain annuity may not  
6 change his or her annuity.

7     (2) A participant who elected an annuity under paragraph (3)  
8 or (4) of subdivision (b) of Section 26807 may elect an annuity  
9 under paragraph (3) of subdivision (a) of Section 26807.5.

10    (3) The election of the participant under this section is made  
11 on or after January 1, 2007, and prior to July 1, 2007.

12    (4) The participant designates the same annuity beneficiary  
13 that was designated under the prior annuity election of *elected by*  
14 the participant, *if the annuity and annuity designation were*  
15 *effective on December 31, 2006.*

16    (5) The annuity beneficiary is not afflicted with a known  
17 terminal illness and the participant declares, under penalty of  
18 perjury under the laws of this state, that to the best of his or her  
19 knowledge, the annuity beneficiary is not afflicted with a known  
20 terminal illness.

21    (6) The annuity beneficiary has not predeceased the participant  
22 as of the effective date of the change in the annuity ~~of~~ *by* the  
23 participant.

24    (b) The change in the annuity ~~of~~ *by* the participant shall be  
25 effective on the date the election is signed, provided that the  
26 election is on a properly executed form provided by the system  
27 and that election is received at the system's headquarters office  
28 as described in Section 22375 within 30 days after the date the  
29 election is signed.

30    (c) *After receipt of a participant's election document, the*  
31 *system shall mail an acknowledgment notice to the participant*  
32 *that sets forth the new annuity elected by the participant.*

33    (d) *If the participant and the annuity beneficiary are alive and*  
34 *not afflicted with a known terminal illness, a participant may*  
35 *cancel the election to change annuities and elect to receive the*  
36 *benefit according to the preexisting annuity election. After*  
37 *cancellation, the participant may elect to make a one-time*  
38 *change from the preexisting annuity to any other annuity*  
39 *provided by and subject to the restrictions of paragraph (1), (2),*  
40 *(3), or (4) of subdivision (a). The cancellation or the cancellation*



1 *and one-time change shall be made on a properly executed form*  
2 *provided by the system and shall be received at the system's*  
3 *headquarters office as described in Section 22375 no later than*  
4 *30 calendar days following the date of mailing of the*  
5 *acknowledgment notice. If the participant elects to make the*  
6 *one-time change provided by this subdivision, the change shall*  
7 *be effective as of the participant's signature date on the initial*  
8 *election to change.*

9 *(e) If the system is unable to mail an acknowledgment notice*  
10 *to the participant on or before June 1, 2007, or prior to the end*  
11 *of the election period, provided that the participant and the*  
12 *annuity beneficiary are alive and not afflicted with a known*  
13 *terminal illness, the system shall allow a participant to cancel the*  
14 *election to change annuities and elect to receive the benefit*  
15 *according to the preexisting annuity election. After cancellation,*  
16 *the participant may elect to make a one-time change from the*  
17 *preexisting annuity to any other annuity provided by and subject*  
18 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*  
19 *(a). The cancellation or the cancellation and one-time change*  
20 *may be made after the end of the election period if it is made on*  
21 *a properly executed form provided by the system and is received*  
22 *at the system's headquarters office as described in Section 22375*  
23 *no later than 30 calendar days following the date of mailing of*  
24 *the acknowledgment notice. If the participant elects to make the*  
25 *one-time change provided by this subdivision, the change shall*  
26 *be effective as of the participant's signature date on the initial*  
27 *election to change.*

28 *(f) If the participant elects to change his or her annuity as*  
29 *described in subdivision (a), ~~the annuity of the participant~~ or (d),*  
30 *the participant's annuity shall be modified in a manner*  
31 *determined by the board to prevent any additional liability to the*  
32 *plan.*

33 ~~(d)~~

34 *(g) References to a "participant" in paragraph (1) of*  
35 *subdivision (a) shall apply to the nonmember spouse.*

36 *(h) The participant shall not change annuities in derogation of*  
37 *a spouse's or former spouse's community property rights as*  
38 *specified in a court order.*

39 SEC. 74. Section 26811 of the Education Code is amended to  
40 read:

1     26811. The beneficiary under the joint and survivor annuity  
2     elected pursuant to paragraph (3) or (4) of subdivision (b) of  
3     Section 26807 or paragraphs (2) to (5), inclusive, of subdivision  
4     (a) of Section 26807.5 shall be the person designated by the  
5     participant on the application for a retirement benefit under this  
6     part, and shall not be changed after the original retirement date  
7     unless the beneficiary has predeceased the participant.

8     SEC. 75. Section 26906 of the Education Code is amended to  
9     read:

10    26906. (a) Upon application for a disability benefit under  
11    this part, the participant may elect to receive the disability benefit  
12    in the form of an annuity provided the sum of the employee  
13    account and employer account equals or exceeds three thousand  
14    five hundred dollars (\$3,500).

15    (b) If the participant elects to receive the disability benefit as  
16    an annuity, the participant shall elect one of the following forms  
17    of payment:

18    (1) A single life annuity without a cash refund feature. This  
19    form of payment is the actuarial equivalent of the amount that  
20    would be payable to the participant if the participant elected to  
21    receive the disability benefit in a lump-sum payment. This  
22    benefit shall be payable for the life of the participant. Upon the  
23    death of the participant, no other benefit shall be payable to any  
24    beneficiary under this part.

25    (2) A single life annuity with a cash refund feature. This form  
26    of payment is the actuarial equivalent of the amount that would  
27    be payable to the participant if the participant elected to receive  
28    the disability benefit in a lump-sum payment. This benefit shall  
29    be payable for the life of the participant and any balance  
30    remaining upon the death of the participant shall be payable in a  
31    lump sum to the participant's beneficiary.

32    (3) A 100-percent joint and survivor annuity with a "pop-up"  
33    feature. This form of payment is the actuarial equivalent of the  
34    amount that would be payable to the participant if the participant  
35    elected to receive the disability benefit in a lump-sum payment,  
36    modified to be payable over the combined lives of the participant  
37    and the participant's annuity beneficiary. Upon the death of the  
38    participant, the monthly amount that was payable to the  
39    participant shall be paid monthly to the participant's annuity  
40    beneficiary. However, if the annuity beneficiary predeceases the

participant, the annuity payable to the participant shall be the single life annuity with a cash refund feature that would have been payable had the participant ~~selected~~ *elected* that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the participant, the participant may designate a new annuity beneficiary. The effective date of the new designation shall be six months following the date notification, on a properly executed form, is received by the board, provided both the participant and the new designated annuity beneficiary are then living. The ~~selection~~ *designation* of the new annuity beneficiary under this paragraph shall be subject to an actuarial modification of the single life annuity with a cash refund feature and shall not result in any additional liability to the fund. The new annuity beneficiary shall not be an existing annuity beneficiary.

(4) A 50-percent joint and survivor annuity with a "pop-up" feature. This form of payment is the actuarial equivalent of the amount that would be payable to the participant if the participant elected to receive the disability benefit in a lump-sum payment, modified to be payable over the combined lives of the participant and the participant's annuity beneficiary. Upon the death of the participant, one-half of the monthly amount that was payable to the participant shall be paid monthly to the participant's annuity beneficiary. However, if the annuity beneficiary predeceases the participant, the annuity payable to the participant shall be the single life annuity with a cash refund feature that would have been payable had the participant ~~selected~~ *elected* that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the participant, the participant may designate a new annuity beneficiary. The effective date of the new designation shall be six months following the date notification, on a properly executed form, is received by the board, provided both the participant and the new designated annuity beneficiary are then living. The ~~selection~~ *designation* of the new annuity beneficiary under this paragraph shall be subject to an actuarial modification

1 of the single life annuity with a cash refund feature and shall not  
2 result in any additional liability to the fund. The new annuity  
3 beneficiary shall not be an existing annuity beneficiary.

4 (5) A period certain annuity. This form of payment is an  
5 annuity equal to the actuarial equivalent of the sum of balance of  
6 the employee account and the employer account on the date the  
7 disability benefit becomes payable. The annuity shall be payable  
8 in whole year increments over a period of years specified by the  
9 participant, from a minimum of three years to a maximum of 10  
10 years. However, the annuity period may not exceed the life  
11 expectancy of the participant or of the participant and the  
12 participant's annuity beneficiary. If the participant's death occurs  
13 prior to the end of the period certain, the remaining balance of  
14 payments shall be paid to the participant's annuity beneficiary  
15 pursuant to Section 27007.

16 (c) Except as described in subdivision (c) of Section 26906.5,  
17 on or after January 1, 2007, a ~~member~~ *participant* may not make  
18 a new election ~~for~~ *of* an annuity described in subdivision (b).

19 SEC. 76. Section 26906.5 is added to the Education Code, to  
20 read:

21 26906.5. (a) Upon application for a disability benefit under  
22 this part, the participant may elect to receive the disabled benefit  
23 in the form of an annuity provided the sum of the employee  
24 account and employer account equals or exceeds three thousand  
25 five hundred dollars (\$3,500). If the participant elects to receive  
26 the disability benefit as an annuity, the participant shall elect one  
27 of the following forms of payment:

28 (1) Participant only annuity. This is a single life annuity with a  
29 cash refund feature that is the actuarial equivalent of the amount  
30 that would be payable to the participant if the participant elected  
31 to receive the ~~retirement~~ *disability* benefit in a lump-sum  
32 payment. Upon the death of the participant, an amount equal to  
33 the remaining balance of the participant's contributions and  
34 interest shall be paid in a lump sum to the participant's  
35 beneficiary.

36 (2) One hundred percent beneficiary annuity. This is a joint  
37 and survivor annuity that is the actuarial equivalent of the  
38 lump-sum payment modified to be payable over the combined  
39 lives of the participant and the participant's annuity beneficiary.  
40 Upon the death of the participant, 100 percent of the monthly

amount that was payable to the participant shall be paid monthly to the participant's surviving annuity beneficiary.

(3) Seventy-five percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the participant and the participant's annuity beneficiary. Pursuant to Section 401(a)(9) of the Internal Revenue Code, unless the annuity beneficiary is the participant's spouse or former spouse who has been awarded a community property interest in the participant's benefits under this part, the participant may not designate an annuity beneficiary under this annuity who is more than ~~19 years of age~~ *exactly 19 years* younger than the participant. Upon the death of the participant, 75 percent of the monthly amount that was payable to the participant shall be paid monthly to the participant's surviving annuity beneficiary.

(4) Fifty percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the participant and the participant's annuity beneficiary. Upon the death of the participant, 50 percent of the monthly amount that was payable to the participant shall be paid monthly to the participant's surviving annuity beneficiary.

(5) A period certain annuity. ~~This is a joint and survivor annuity that is an annuity form of payment is an annuity that is~~ equal to the actuarial equivalent of the balance of credits in the participant's Cash Balance Benefit account on the date the disability benefit becomes payable. The annuity shall be payable in whole year increments over a period of years specified by the participant, from a minimum of three years to a maximum of 10 years. However, the annuity period may not exceed the life expectancy of the participant or of the participant and the participant's annuity beneficiary. If the participant's death occurs prior to the end of the period certain, the remaining balance of payments shall be paid to the participant's annuity beneficiary pursuant to Section 27007.

(b) If an annuity beneficiary *designated pursuant to paragraph (2), (3), or (4) of subdivision (a)* predeceases the participant, ~~that portion of the annuity payable to the annuity beneficiary~~ shall be paid to the participant as ~~a~~ *the* participant only annuity described

1 in paragraph (1) of subdivision (a) that would have been payable  
2 had the participant elected that form of payment at the  
3 commencement of the benefit. That participant only annuity shall  
4 be payable as of the day following the date of the annuity  
5 beneficiary's death upon receipt by the system of proof of the  
6 annuity beneficiary's death. If the annuity beneficiary  
7 predeceases the participant, the participant may designate a new  
8 annuity beneficiary ~~for that portion that was payable to the prior~~  
9 ~~annuity beneficiary~~. The effective date of the new designation  
10 shall be six months following the date notification is received by  
11 the board, provided both the participant and the new designated  
12 annuity beneficiary are then living. Notice to the board of the  
13 death of the annuity beneficiary shall be on a properly executed  
14 form provided by the system. The designation of the new annuity  
15 beneficiary under this paragraph is subject to an actuarial  
16 modification *of the participant only annuity* and may not result in  
17 any additional liability to the fund. ~~The new annuity beneficiary~~  
18 ~~may not be an existing annuity beneficiary. fund.~~

19 (c) *Notwithstanding Section 297 or 299.2 of the Family Code,*  
20 *a spouse as described in paragraph (3) of subdivision (a) does*  
21 *not include the domestic partner of the participant pursuant to*  
22 *Section 7 of Title 1 of the United States Code.*

23 (d) If there is a determination of community property rights as  
24 described in Chapter 15 (commencing with Section 27400) of  
25 this part on or before December 31, 2006, the participant may  
26 elect the annuity that is required by the judgment or court order.  
27 Nothing in this ~~section~~ *part* shall permit the participant to change  
28 the annuity to the detriment of the community property interest  
29 of the nonparticipant spouse.

30 SEC. 77. Section 26906.6 is added to the Education Code, to  
31 read:

32 26906.6. (a) A participant ~~or nonparticipant spouse~~ who is  
33 disabled and elected an annuity pursuant to Section 26906 may  
34 elect to change annuities, subject to all of the following:

35 (1) A participant ~~or nonparticipant spouse~~ who elected a single  
36 life annuity with or without a cash refund feature or a period  
37 certain annuity may not change his or her annuity.

38 (2) A participant ~~or nonparticipant spouse~~ who elected an  
39 annuity under paragraph (3) or (4) of subdivision (b) of Section

1 26906 may elect an annuity under paragraph (3) of subdivision  
2 (a) of Section 26906.5.

3 (3) The election ~~of by the participant or nonparticipant spouse~~  
4 under this section is made on or after January 1, 2007, and prior  
5 to July 1, 2007.

6 (4) The participant ~~or nonparticipant spouse~~ designates the  
7 same annuity beneficiary that was designated under the prior  
8 annuity ~~election of the participant or nonparticipant spouse~~  
9 *elected by the participant, if the annuity and the annuity*  
10 *beneficiary designation were effective on December 31, 2006.*

11 (5) The annuity beneficiary is not afflicted with a known  
12 terminal illness and the participant ~~or nonparticipant spouse~~  
13 declares, under penalty of perjury under the laws of this state,  
14 that to the best of his or her knowledge, the annuity beneficiary is  
15 not afflicted with a known terminal illness.

16 (6) The annuity beneficiary has not predeceased the participant  
17 ~~or nonparticipant spouse~~ as of the effective date of the change in  
18 the annuity ~~of by the participant or nonparticipant spouse~~.

19 (b) The change in the annuity ~~of by the participant or~~  
20 ~~nonparticipant spouse~~ shall be effective on the date the election is  
21 signed, provided that the election is on a properly executed form  
22 provided by the system and that election is received at the  
23 system's headquarters office as described in Section 22375  
24 within 30 days after the date the election is signed.

25 (c) *After receipt of a participant's election document, the*  
26 *system shall mail an acknowledgment notice to the participant*  
27 *that sets forth the new annuity elected by the participant.*

28 (d) *If the participant and the annuity beneficiary are alive and*  
29 *not afflicted with a known terminal illness, a participant may*  
30 *cancel the election to change annuities and elect to receive the*  
31 *benefit according to the preexisting annuity election. After*  
32 *cancellation, the participant may elect to make a one-time*  
33 *change from the preexisting annuity to any other annuity*  
34 *provided by and subject to the restrictions of paragraph (1), (2),*  
35 *(3), or (4) of subdivision (a). The cancellation or the cancellation*  
36 *and one-time change shall be made on a properly executed form*  
37 *provided by the system and shall be received at the system's*  
38 *headquarters office as described in Section 22375 no later than*  
39 *30 calendar days following the date of mailing of the*  
40 *acknowledgment notice. If the participant elects to make the*

1 *one-time change provided by this subdivision, the change shall*  
2 *be effective as of the participant's signature date on the initial*  
3 *election to change.*

4 *(e) If the system is unable to mail an acknowledgment notice*  
5 *to the participant on or before June 1, 2007, or prior to the end*  
6 *of the election period, provided that the participant and the*  
7 *annuity beneficiary are alive and not afflicted with a known*  
8 *terminal illness, the system shall allow a participant to cancel the*  
9 *election to change annuities and elect to receive the benefit*  
10 *according to the preexisting annuity election. After cancellation,*  
11 *the participant may elect to make a one-time change from the*  
12 *preexisting annuity to any other annuity provided by and subject*  
13 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*  
14 *(a). The cancellation or the cancellation and one-time change*  
15 *may be made after the end of the election period if it is made on*  
16 *a properly executed form provided by the system and is received*  
17 *at the system's headquarters office as described in Section 22375*  
18 *no later than 30 calendar days following the date of mailing of*  
19 *the acknowledgment notice. If the participant elects to make the*  
20 *one-time change provided by this subdivision, the change shall*  
21 *be effective as of the participant's signature date on the initial*  
22 *election to change.*

23 *(f) If the participant or nonparticipant spouse elects to change*  
24 *his or her annuity as described in subdivision (a), the annuity of*  
25 *the participant or nonparticipant spouse or (d), the participant's*  
26 *annuity shall be modified in a manner determined by the board to*  
27 *prevent any additional liability to the plan.*

28 *(g) The participant shall not change annuities in derogation of*  
29 *a spouse's or former spouse's community property rights as*  
30 *specified in a court order.*

31 SEC. 78. Section 26910 of the Education Code is amended to  
32 read:

33 26910. The beneficiary under the joint and survivor option  
34 elected pursuant to paragraph (3) or paragraph (4) of subdivision  
35 (b) of Section 26906 or paragraph (2) or (4) of subdivision (a) of  
36 Section 26906.5 shall be the person designated by the participant  
37 on the application for a disability benefit and shall not be  
38 changed after the original disability date unless the beneficiary  
39 predeceases the participant.



1 SEC. 79. Section 27004 of the Education Code is amended to  
2 read:

3 27004. (a) A beneficiary, other than an entity, may elect to  
4 receive the final benefit payable under the Cash Balance Benefit  
5 Program as an annuity payable in monthly installments provided  
6 that the sum of the employee account and the employer account  
7 that is payable to the beneficiary equals at least three thousand  
8 five hundred dollars (\$3,500).

9 (b) A beneficiary who elects to receive an annuity pursuant to  
10 this section shall elect a period certain annuity. This form of  
11 payment is an annuity equal to the actuarial equivalent of the sum  
12 of the balance of the employee account and the employer account  
13 on the date of the participant's death. The annuity shall be  
14 payable in whole year increments over a period of years specified  
15 by the beneficiary, from a minimum of three years to a maximum  
16 of 10 years. However, the annuity period shall not exceed the life  
17 expectancy of the beneficiary. The beneficiary may designate a  
18 payee to receive the remaining balance of payments if the  
19 beneficiary dies prior to the end of the period certain.

20 SEC. 80. Section 27405 of the Education Code is amended to  
21 read:

22 27405. Upon the legal separation or dissolution of marriage  
23 of a participant, the court may include in the judgment or court  
24 order a determination of the community property rights of the  
25 parties in the participant's annuity consistent with this section.  
26 Upon election under subparagraph (B) of paragraph (3) of  
27 subdivision (a) of Section 2610 of the Family Code, the court  
28 order awarding the nonparticipant spouse a community property  
29 share in the benefits of a participant receiving an annuity shall be  
30 consistent with this section.

31 (a) If the court does not award the entire annuity to the  
32 participant and the participant is receiving an annuity under  
33 paragraph (1) or (2) of subdivision (b) of Section 26807 or  
34 paragraph (1) of subdivision (a) of Section 26807.5, the court  
35 shall require only that the system pay from the plan the  
36 nonparticipant spouse, by separate warrant, his or her community  
37 property share of the participant's annuity, or the option  
38 beneficiary's annuity or both.

(b) The nonparticipant spouse may designate a beneficiary to receive his or her community property share of the participant's annuity.

SEC. 81. Section 27408 of the Education Code is amended to read:

27408. (a) Sections 26107, 26700, 26802, 26806, 27000, 27002, paragraphs (1) ~~and (2)~~ of subdivision (b) of Section 26807, and ~~paragraph (1)~~ paragraphs (1) and (5) of subdivision (a) of Section 26807.5 shall apply to a nonparticipant spouse as if she or he were a participant.

(b) Notwithstanding subdivision (a), this section shall not be construed to establish any right for the nonparticipant spouse that is not explicitly established in Sections 27400 to 27405, inclusive, and Sections 27409 to 27412, inclusive.

SEC. 82. Section 27410 of the Education Code is amended to read:

27410. (a) The nonparticipant spouse who is awarded separate nominal accounts shall have the right to designate, pursuant to Sections 27100 to 27102, inclusive, a beneficiary or beneficiaries to receive the amounts credited to the separate nominal accounts of the nonparticipant spouse on his or her date of death, and any annuity attributable to the separate nominal accounts which is unpaid on the date of the death of the nonparticipant spouse.

(b) This section shall not be construed to provide the nonparticipant spouse with any right to elect a joint and survivor annuity pursuant to paragraphs (3) and (4) of subdivision (b) of Section 26807 or subdivision (a) of Section 26807.5.

SEC. 83. Section 27411 of the Education Code is amended to read:

27411. The nonparticipant spouse who is awarded a separate nominal account under this part shall have the right to an annuity pursuant to ~~paragraphs (1), (2), or (5) of subdivision (b) of Section 26807 or~~ paragraph (1) or (5) of subdivision (a) of Section 26807.5.

(a) The nonparticipant spouse shall be eligible for an annuity if the following conditions are satisfied:

(1) The nonparticipant spouse has at least three thousand five hundred dollars (\$3,500) in his or her separate nominal accounts.

1 (2) The nonparticipant spouse has attained the age of 55 years  
2 or more.

3 (b) An annuity of a nonparticipant spouse shall become  
4 effective upon any date designated by the nonparticipant spouse,  
5 provided:

6 (1) The requirements of subdivision (a) are satisfied.

7 (2) The nonparticipant spouse has filed an application for an  
8 annuity on a *properly executed* form provided by the system,  
9 which is executed no earlier than 90 days before the effective  
10 date of the annuity.

11 SEC. 84. Section 44922 of the Education Code is amended to  
12 read:

13 44922. Notwithstanding any other provision, the governing  
14 board of a school district or a county superintendent of schools  
15 may establish regulations which allow their certificated  
16 employees to reduce their workload from full-time to part-time  
17 duties.

18 The regulations shall include, but shall not be limited to, the  
19 following, if the employees wish to reduce their workload and  
20 maintain retirement benefits pursuant to Section 22713 of this  
21 code or Section 20815 of the Government Code:

22 (a) The employee shall have reached the age of 55 prior to  
23 reduction in workload.

24 (b) The employee shall have been employed full time in a  
25 position requiring certification for at least 10 years of which the  
26 immediately preceding five years were full-time employment.

27 (c) During the period immediately preceding a request for a  
28 reduction in workload, the employee shall have been employed  
29 full time in a position requiring certification for a total of at least  
30 five years without a break in service. For purposes of this  
31 subdivision, sabbaticals and other approved leaves of absence  
32 shall not constitute a break in service.

33 (d) The option of part-time employment shall be exercised at  
34 the request of the employee and can be revoked only with the  
35 mutual consent of the employer and the employee.

36 (e) (1) The employee shall be paid a salary that is the pro rata  
37 share of the salary he or she would be earning had he or she not  
38 elected to exercise the option of part-time employment but shall  
39 retain all other rights and benefits for which he or she makes the

1 payments that would be required if he or she remained in  
2 full-time employment.

3 (2) The employee shall receive health benefits as provided in  
4 Section 53201 of the Government Code in the same manner as a  
5 full-time employee.

6 (f) The minimum part-time employment shall be the  
7 equivalent of one-half of the number of days of service required  
8 by the employee's contract of employment during his or her final  
9 year of service in a full-time position.

10 (g) This option is limited in prekindergarten through grade 12  
11 to certificated employees who do not hold positions with salaries  
12 above that of a school principal.

13 (h) The period of this part-time employment shall include a  
14 period of time, as specified in the regulations, which shall be up  
15 to and include five years for employees subject to Section 20815  
16 of the Government Code or 10 years for employees subject to  
17 Section 22713 of this code.

18 (i) The period of part-time employment of employees subject  
19 to Section 20815 of the Government Code shall not extend  
20 beyond the end of the school year during which the employee  
21 reaches his or her 70th birthday. This subdivision shall not apply  
22 to any employee subject to Section 22713 of this code.

23 SEC. 85. Section 22009.1 of the Government Code is  
24 amended to read:

25 22009.1. "Retirement system" includes:

26 (a) A pension, annuity, retirement or similar fund or system  
27 established by a public agency and covering only positions of  
28 that agency.

29 (b) The Public Employees' Retirement System with respect  
30 only to employees of the state and employees of the University of  
31 California in positions covered by that system.

32 (c) The Public Employees' Retirement System with respect to  
33 employees of all school districts in positions covered under each  
34 contract entered into by a county superintendent of schools and  
35 the system.

36 (d) The State Teachers' Retirement System with respect to all  
37 employees in positions subject to coverage under the Defined  
38 Benefit Program of the State Teachers' Retirement Plan except  
39 employees of a public agency having any employees in positions  
40 covered by that system who are also in positions covered by a

1 local retirement system for the retirement of teachers, or for  
2 membership in which public school teachers are eligible,  
3 operated by a city, city and county, county or other public agency  
4 or combination of public agencies of the state.

5 (e) The Legislators' Retirement System with respect to all  
6 employees in positions covered by that system.

7 (f) The Judges' Retirement System with respect to all  
8 employees in positions covered by that system.

9 (g) The University of California Retirement Plan only with  
10 respect to all employees in positions covered by that system.

11 (h) The San Francisco Employees' Retirement System with  
12 respect to all employees in positions covered by that system.

13 (i) Any other retirement system with respect only to  
14 employees of any two or more of the public agencies having  
15 employees in positions covered by that system, as designated by  
16 the board and with regard to which the board authorizes conduct  
17 of a referendum.

18 (j) Any retirement system with respect only to employees of a  
19 hospital that is an integral part of a city incorporated between  
20 January 15, 1898, and July 15, 1898, in positions covered by the  
21 system, as designated by the board on request of the city.

22 (k) Except as otherwise provided in subdivisions (b) to (j),  
23 inclusive, any retirement system with respect to employees of  
24 each of the public agencies having employees in positions  
25 covered by the system.

26 (l) The State Teachers' Retirement System with respect to all  
27 employees of each public agency, as defined by Section  
28 22009.03, in positions covered by the State Teachers' Retirement  
29 Plan.

30 (m) Each division or part of a retirement system, as defined in  
31 subdivisions (a), (b), (c), (e), (g), (h), (i), (j), (k), and (l) of this  
32 section, that is divided pursuant to this chapter into two parts:

33 (1) The part composed of the positions of members of the  
34 system who desire coverage under the federal system.

35 (2) The part composed of the positions of members of the  
36 system who do not desire coverage under the federal system.

37 SEC. 86. No reimbursement is required by this act pursuant  
38 to Section 6 of Article XIII B of the California Constitution  
39 because the only costs that may be incurred by a local agency or  
40 school district will be incurred because this act creates a new

1 crime or infraction, eliminates a crime or infraction, or changes  
 2 the penalty for a crime or infraction, within the meaning of  
 3 Section 17556 of the Government Code, or changes the  
 4 definition of a crime within the meaning of Section 6 of Article  
 5 XIII B of the California Constitution.

6 SEC. 87. Any section of any act enacted by the Legislature  
 7 during the 2006 calendar year that takes effect on or before  
 8 January 1, 2007, and that amends, amends and renumbers, adds,  
 9 repeals and adds, or repeals a section that is amended, amended  
 10 and renumbered, added, repealed and added, or repealed by this  
 11 act, shall prevail over this act, whether that act is enacted prior to,  
 12 or subsequent to, the enactment of this act. The repeal, or repeal  
 13 and addition, of any article, chapter, part, title, or division of any  
 14 code by this act shall not become operative if any section of any  
 15 other act that is enacted by the Legislature during the 2006  
 16 calendar year and takes effect on or before January 1, 2007,  
 17 amends, amends and renumbers, adds, repeals and adds, or  
 18 repeals any section contained in that article, chapter, part, title, or  
 19 division.

20  
 21 \_\_\_\_\_  
 22 CORRECTIONS:  
 23 Text - Pages 82, 86 and 105.  
 24 \_\_\_\_\_